Austria ... Sch. 18	Indonesia .. Rp 2500	Portugal ... Esc 80
Bahrain .. Din 0.650	Italy ...... L 1300	S. Arabia .. Rls 6.00
Belgium ... BFr 42	Japan Y550	Singapore .. S$ 4.10
Canada ... C$1.00	Jordan ... Fils 500	Spain .... Pta 110
Cyprus ... C£0.60	Kuwait ... Fils 500	Sri Lanka ... Rup 30
Denmark .. DKr 7.25	Lebanon .. £L 8.00	Sweden .. Skr 6.50
Egypt .... E£1.00	Luxembourg . LFr 42	Switzerland SFr 2.20
Finland .. Fmk 5.00	Malaysia .. Rls 4.75	Taiwan ... NT $65
France .. FFr. 6.00	Mexico .. Pes. 300	Tunisia .. Din 0.600
Germany . DM 2.20	Morocco .. Dh 6.00	Turkey .... L 210
Greece ..... Dr 70	Netherlands . Fl 2.50	U.A.E. ... Dh 6.50
Hong Kong . HK$ 12	Norway .. Nkr. 6.00	U.S.A. $1.00
India .... Rup. 15	Philippines . Pes. 20	

FINANCIAL TIMES

EUROPE'S BUSINESS NEWSPAPER

No. 29,706 — Tuesday August 20 1985 — D 8523 B

Japan scales new peak in China trade, Page 12

World news

28 killed in Beirut car bomb attacks

Two car bombs exploded in mainly Moslem West Beirut, killing at least 28 people and wounding 70. The blasts were widely seen as a response to two car bomb explosions that killed 67 people and wounded about 250 people in Christian East Beirut last week.

One blast occurred close to a restaurant and the other near a mosque, where people were heading for their noontime prayers.

An anonymous caller claiming to represent the hitherto unheard of "Black Brigades Organisation" pledged a counter-war of annihilation against Christians. Page 2

Sri Lanka talks

Sri Lanka peace talks between Tamil separatists and Sri Lankan officials which broke down may resume later this week, the Indian External Affairs Ministry said. Page 2

Red Cross kidnap

Gunmen kidnapped the Swiss head of the International Committee of the Red Cross mission in the south Lebanese port of Sidon, security officials said.

Uganda 'massacre'

A Roman Catholic newspaper in Uganda said it had discovered the skeletons of more than 2,000 people believed to have been killed by the army of ousted President Obote.

Village bombed

Four Afghan aircraft bombed a Pakistani border village killing eight people and wounding 12, the Pakistani Government said.

Jakarta trial

H. R. Dharsono, a former secretary general of the Association of South-east Asian Nations (Asean) went on trial in Jakarta charged with instigating three guerrilla bomb attacks in Indonesia last year.

Tanker's toxic leak

Dozens of people received medical treatment and several homes were evacuated after a toxic chemical leaked from a tanker lorry in Charleston, West Virginia. It was the third chemical emergency in eight days.

Peru cancels jets

Peru has reportedly halved an order for 26 French Mirage 2000 jet fighters to set an example for disarmament in Latin America.

Kanak death claim

A human rights team in the French Pacific territory of New Caledonia claimed a French police marksman killed Kanak independence leader Eloi Machoro in January.

Separatist charged

Canary Islands' separatist leader Antonio Cubillo was released on bail by a Madrid court after being formally charged with masterminding several bomb attacks in the late 1970s. Page 3

Euthanasia change

A Dutch Government commission recommended that the law be amended to allow euthanasia in cases where patients in acute distress made a reasoned request to doctors to be helped to die.

Czechs hold Havel

Czechoslovak police detained playwright Vaclav Havel in Bratislava, his second period in detention in a week, said political exiles in Vienna.

300 drown in China

About 300 people died when an overloaded Chinese river ferry capsized and sank on the Songhua River near the Soviet border.

Business summary

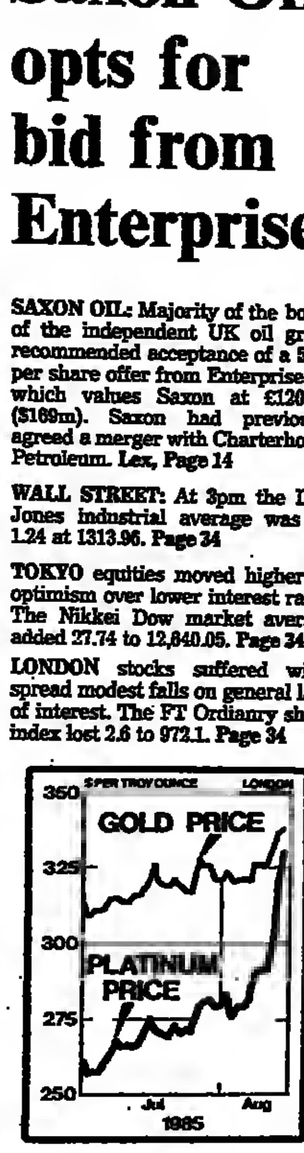
Saxon Oil opts for bid from Enterprise

SAXON OIL: Majority of the board of the independent UK oil group recommended acceptance of a 540p per share offer from Enterprise Oil which values Saxon at £120.6m ($169m). Saxon had previously agreed a merger with Charterhouse Petroleum. Lex, Page 14

WALL STREET: At 3pm the Dow Jones industrial average was up 1.24 at 1313.96. Page 34

TOKYO equities moved higher on optimism over lower interest rates. The Nikkei Dow market average added 27.74 to 12,840.05. Page 34

LONDON stocks suffered widespread modest falls on general lack of interest. The FT Ordianry share index lost 2.6 to 972.1. Page 34



GOLD rose $1.50 on the London bullion market to $338.75. It was also higher in Zurich at $339.75. Page 26

DOLLAR improved slightly in London, closing at DM 2.763 (DM 2.7575), FFr 8.435 (FFr 8.42), SwFr 2.261 (SwFr 2.2585) and Y236.8 (Y236.75). On Bank of England figures the dollar's index rose to 136.0 from 135.9. Page 27

STERLING lost just 10 points against the dollar in London to finish at $1.3995. It was firmer, however, at DM 3.8675 (DM 3.8575), FFr 11.81 (FFr 11.8025), SwFr 3.165 (SwFr 3.155) and Y331.5 (Y331.0). The pound's exchange rate index fell to 82.1 from 82.2. Page 27

BRITISH RAIL dispute over driver-only trains worsened with more services around London disrupted. Page 14

THE WASHINGTON POST agreed to pay $350m cash for 53 cable television stations owned by Capital Cities Communications. Page 15

PLATINUM outpriced gold at one stage in London for the first time since mid 1984 as unrest in South Africa boosted precious metals. At one point both metals stood above $340, but platinum fell back in active trading to finish up $11 on Friday's close at $332. Gold added $1.5m to $338.75, a high for the year. Page 26

SINGAPORE'S four biggest ship repair companies have agreed to cut capacity by a third and working to 20 days a month. Page 16

SNAMPROGETTI, subsidiary of Italy's state-owned energy group ENI, has won a L100bn ($53.2m) contract to construct a coal transport system in Siberia. Page 4

ROTHMANS International, the South African-controlled cigarette group, denied rumours that it will make a counterbid for Arthur Bell & Sons, the Scotch whisky distiller, in opposition to the Guinness £360m ($504m) offer. Page 14

SANKO steamship's main creditor, Long-Term Credit Bank of Japan, expects to write off up to 80 per cent of its Y80bn ($338m) secured loans to the collapsed group. Page 16

TEXTILE import limits proposed in the U.S. could seriously hurt the economies of countries in the Association of South East Asian Nations group, says Asean. Page 4

HEWLETT-PACKARD, U.S. electronics and computer manufacturer, returned net earnings of $117m for the third quarter, representing a 13 per cent reduction on the previous corresponding period. Page 15

South Africa cuts bank rate in bid to lift confidence

BY JIM JONES IN JOHANNESBURG

THE SOUTH AFRICAN Reserve Bank yesterday cut its bank rate by 1¾ percentage points, from today, in a move to restore confidence in an economy threatened by foreign sanctions and domestic unrest.

The interest rate cut, designed to prompt commercial banks to reduce their prime overdraft lending rates from 21 per cent to between 19 and 20 per cent, and thus provide a stimulus to the economy, was justified, despite the present "abnormal political conditions," Dr Gerhard de Kock, governor of the bank, said.

Domestic and foreign confidence in the South African economy fell on Friday, with the rand closing at 2.41 to the dollar following President P. W. Botha's failure to outline new reform policies in his speech in Durban on Thursday.

The bank rate, the rate at which the Reserve Bank provides accommodation to the commercial banks by rediscounting Treasury bills, will be reduced from 17¾ per cent to 16 per cent and will now become the main indicator of the bank's monetary policies. Previously the bank had used a range of discount rates, which were not formally linked with those charged by the commercial banks.

Dr de Kock yesterday justified the stimulatory interest rate reduction. He said the restrictive monetary policies introduced in August 1984 and the fiscal measures introduced in the March 1985 budget had achieved their initial aim of curbing total spending by the private and public sectors.

Money supply growth rates were declining, Dr. de Kock added, excess demand had been eliminated from the economy, last year's deficit in the current account of the balance of payments had been converted to an annual rate surplus of R5.4bn ($2.2bn) in the second quarter of this year, and net foreign liabilities had been cut by about R5bn since last year.

Though the rate of inflation had risen steadily from its low point of 10 per cent in February 1984 to 16.4 per cent in June this year, Dr de Kock believed that it should now start to decline.

These positive economic developments, Dr de Kock believed, justified an easing of monetary policy despite "the present abnormal political conditions prevalent in South Africa." Though Dr de Kock justified the stimulatory measure an economic grounds, abservers in Johannesburg say that political considerations were equally or more important.

South Africa's worst recession since the second world war has led to record black unemployment contributing to the unrest in the country's black townships.

Restrictive measures aimed at eliminating record inflation rates lifted domestic interest rates to record levels early this year, and though the subsequent trend has been downwards, there were fears that the flight of capital from South Africa and the withdrawal of foreign banks from the country could reverse the declining interest rate pattern and further deepen the recession. Today's bank rate cut is designed to counteract these external pressures.

Meanwhile, the country's mineowners and the all-black membership National Union of Mineworkers (NUM), yesterday resumed wage talks with the aim of averting

Continued on Page 14

Money markets, Page 27

French right extends row over sinking

BY DAVID HOUSEGO IN PARIS

THE FRENCH right-wing opposition yesterday broke its silence over the sinking of the Greenpeace vessel Rainbow Warrior and accused President Francois Mitterrand's Government of "duplicity" in trying to shift responsibility for the affair to its "underlings."

A statement by M Jean Lecanuet, head of both the centrist UDF group and president of the Senate's foreign affairs and defence commission, said that the boat had been sunk by the French foreign intelligence services but inferred that responsibility was political.

"It was well and truly the secret services which sank the vessel," M Lecanuet declared. "But if they acted thus, they did so on orders ... The question now is to know on whose orders. We must be told."

M Charles Pasqua, a senior senator of the neo-Gaullist RPR, called for the resignation of M Laurent Fabius, the Prime Minister, for "incompetence."

The opposition also brushed aside any potential defence by the Government that action against the Rainbow Warrior was justified by the priority of protecting French nuclear testing.

M Lecanuet called the operation, which resulted in the death of a Portuguese photographer, "lamentable and absurd." He said that the ecologists' protests against French nuclear testing in the Pacific had now been given worldwide publicity and contrasted this with the discretion that had surrounded previous tests.

The attack on the Government from the right-wing parliamentary opposition coincided yesterday with a political offensive from the Communists and demands from minor political groups for the resignation of M Charles Hernu, the Minister of Defence.

President Mitterrand is not expected to act, however, until after M Bernard Tricot, the senior French civil servant commissioned to report an the affair, has submitted his conclusians later this week.

M Roland Leroy, editor af the Communist daily L'Humanité and a member of the party's politbureau, said in the paper yesterday that nobody imagined such an important aperation as an attack aa the Greenpeace vessel could have been undertaken without the support of the Elysee. He argued that this implied that the Government considered "terrorism by the state" as normal practice.

M Mitterrand is in part seea as having attempted to distance him-

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Background, Page 3

Warsaw's boardgame capitalists play by own rules

By Leslie Colitt in Warsaw

POLISH-MADE games called "Super Manopoly," "Bankrupt," "Eurobusiness" and "Stock Market Broker" are the rage amang Poles whose trading instincts remain strong despite 40 years of socialism.

The enthusiasm shown for these decidedly capitalist games parallels real life fortunes being made by a small but growing number af private businessmen in Poland.

In "Bankrupt" players can buy half a district in Lodz, taxis, railway terminals, power stations and streets in Lodz or Warsaw. As in Monopoly houses and hatels are rented and sold. A picture of a man sporting a bowler, smoking a fat cigar but wearning patched trousers is an the cover of the box.

The game is displayed in many kiosks including one near the enormous Palace af Culture, a post-war gift of the Soviet Union. Inside the building another kiosk sells privately made key chain medallions embossed with the portrait of the Pope.

Although "Bankrupt" is selling briskly its private producer has already moved an to making other items which turn a quicker profit.

Mr Ryszard Ellert, an ambitious young Warsaw job printer, receatly began turning out business games as a sideline. Now he con barely keep up with arders. He says he uses western cities instead of Polish ones in his super Monopoly game to make it more appealing to Poles.

Mr Ellert's "Stock Market Broker" game is undoubtedly the most unusual one far a Communist country. But he noted that many Poles know what the stock market is and thus interest runs high.

As with a good number of western games, the box cover of the Polish game is more enticing than the contents. Smiling men in business suits, one resting his hand on a globe, are shown telephoning orders. In the background, production curves soar against the outlines of great factories. The game revolves around buying and selling different grades of commodities to make the largest possible profit.

In reality, a variation on the same game is constantly played by East European governments when they buy and sell gold and silver in the West and speculate astutely in currencies.

Mr Ellert and his father belong to the Otwock Co-operative in Warsaw which they feel is more advantageous than being wholly private. They pay 2 per cent of turnover to

Continued on Page 14

Australia limits trade but rejects embargo

BY MICHAEL THOMPSON-NOEL IN SYDNEY

THE AUSTRALIAN Government yesterday unveiled a series of commercial and trade sanctions against South Africa, but stopped well short of a full trade embargo.

Mr Bill Hayden, the foreign affairs minister, said cabinet ministers had expressed "grave concern and extreme disappointment" that President Botha's statement last week had been "so negative and unhelpful."

But Australia, he said, was conscious of the inadequacy of unilateral sanctions against South Africa.

Australia will close its Trade Commission in South Africa at the end of next month, while its Export Finance Insurance Corporation will cease making loans to Australian companies trading with South Africa.

Banks and financial institutions are being asked to suspend new loans to South African borrowers on a voluntary basis.

Other trade and marketing schemes will be cut back, and Australian government investment in South Africa will be suspended. Direct investment in Australia by the Pretoria Government and its agencies will be prohibited, as will the import of Krugerrands.

Canberra will also ban exports to South Africa of petroleum products, computer hardware equipment and other products of possible use to South Africa's security forces.

Mr Hayden defended the apparent mildness of the measures, saying: "The important thing is not to use up all your shots in one volley. We have taken a number of measures, and there are others open to us."

Australia provides less than 1½ per cent of South Africa's imports and takes just over ½ a per cent of South Africa's exports.

Australia will continue to press for effective United Nations action against South Africa, and hopes to outline a suggested strategy at the forthcoming Commonwealth heads of government meeting in Nassau.

At home, Mr Bob Hawke's Canberra Government has been accused of some ambivalence in its attitude to South Africa, which it denies. However, it is being obliged to take into account fairly widespread support within Australia for a planned rebel cricket tour of South Africa by an Australian team, led by former test captain Kim Hughes, later this year.

EEC crude steel output rises 1%

BY PAUL CHEESERIGHT IN BRUSSELS

CRUDE steel production in the European Community was only 1 per cent higher in the first half of this year than in the same period of 1984, emphasising the fragile nature of the industry's recovery.

Crude steel production in the Community totalled 61.5m tonnes in the first six months of 1985. The plus point for the industry, however, was that over the first four months new orders were 2m tonnes higher, or 8.4 per cent more, than total deliveries.

The market in general has responded to the upturn in economic activity, while production over a whole range of products has been kept in check by the output quotas set quarterly by the European Commission. Minimum prices have also been holding in general.

The apparent rough balance between supply and demand hides considerable excess capacity. The Commission has calculated that a further 24.5m tonnes of hot-rolled capacity needs to be shed by 1990, to bring about a real balance. Capacity cuts since 1980 total 30m tonnes.

In June, EEC crude steel production was 10.6m tonnes, but shaded to 9.8m tonnes in July.

Breakdown of the figures shows that in the UK, crude steel production has been running at a perceptibly higher level than last year. In the first six months output was 8.2m tonnes, an average of 1.37m tonnes a month, while in 1984 monthly average production was 1.27m tonnes.

The European Commission has completed negotiations of new scientific and technical co-operation agreements with Sweden and Switzerland. They are a framework for more specific project agreements.

The agreements provide for regular talks on priorities.

Six inter-dealer brokers named for new British gilts market

BY JOHN MOORE, CITY CORRESPONDENT, IN LONDON

SIX FINANCIAL groups have been given approval by the Bank of England to operate as inter-dealer brokers, a new form of intermediary, in the restructured market for British government securities.

Announcing the names of the six yesterday in another important step to the remodelling of London's financial markets, the Bank also named nine groups who are to act as London Stock Exchange money brokers.

Inter-dealer brokers will provide dealing facilities between 29 market makers who will operate to the restructured British government securities market. Stock exchange money brokers will be intermediaries for regulated stock borrowing and lending to facilitate liquidity in the gilt-edged market and other securities.

The six inter-dealer brokers named yesterday are: Charles Fulton (IDB); Garban Gilts (part of Mills & Allen International); Mabon, Nugent International (Gilts); Fundamental & Marshall Brokers, part of Mercantile House, the international financial group; Tullett and Tokyo (Gilts); Williams, Cooke, Lott and Kissack, part of Exco International. Each of the new companies is expected to be capitalised at between £2m and £3m ($2.8m-$4.2m).

Those named by the Bank as stock exchange money brokers are Cazenove Money Brokers; Hoare Govett (Moneybroking); James Capel Money Broking; King & Shaxson (Securities); Lazard Brothers & Co.; LM (Money Brokers); P-B Securities Money Brokers; Rowe & Pitman Money Broking; Sheppards Moneybrokers.

Those who sought recognition by the Bank of England, Britain's central bank, had to demonstrate that there was a need for their services. Endorsements had to be submitted during the application period by the candidates from potential users.

The Bank of England said yesterday that subject to the effective implementation of the plans outlined by the various groups it "is in principle willing to provide them with the technical facilities necessary to enable them to act as stock exchange money brokers or inter-dealer brokers."

Over the last few weeks a number of prospective inter-dealer brokers have withdrawn before submitting any application. Two Eurobond dealers, MKI Securities and Purcell Graham, pulled out; while Gintel, an inter-dealer broker decided against applying as it has been acquired by Mills & Allen. Mills & Allen had established a subsidiary, Garban Gilts, to apply for inter-dealer broker status.

Money broker R. P. Martin, which was intending to apply for inter-dealer broking status, also decided not to apply. Mr Alex Rentoul, head of development and planning at Martin, said yesterday: "It is going to be a crowded market. There will be room for only a few players and we wish them the best of luck. Wa looked at the situation very carefully but we decided that it was not worth walking the full route."

Other intending inter-dealer brokers were surprised by the numbers which the Bank of England had approved.

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CONTENTS

Sri Lanka peace talks halted as death toll rises

BY K. K. SHARMA IN NEW DELHI AND OUR FOREIGN STAFF

TALKS between Tamil militants and Sri Lanka government representatives have "temporarily recessed" after a week of meetings at Thimpu, capital of the Himalayan kingdom of Bhutan, a spokesman of the Indian Government said yesterday.

Some of the Tamil delegates have flown to Madraa for consultations with their leaders, and despite the violence in Sri Lanka over the weekend, "all sides are making efforts to ensure observance of the ceasefire," he said.

In Colombo, however, the Sri Lankan Government announced that 21 more people had been killed in a series of attacks in the north and east of the island, bringing the official death toll to 92 in the past few days. Tamil estimates put the dead at several hundred.

Troops were placed on alert on the island yesterday following the recession in the talks and the reimposition of a state of emergency by President Junius Jayawardene on Sunday.

Hundreds of people have fled their homes in the troubled Vavuniya and Trincomalee areas.

The Indian Government spokesman said he expected the talks to be resumed later this week after both sides consider "new ideas and formulations" that have evolved in the last couple of days on the Tamil demands for autonomy. This follows efforts by India to prevent the talks from breaking down.

In Madras, however, a Tamil spokesman claimed the militants had withdrawn from the Thimpu talks after violations of the ceasefire and killings of Tamils by Sri Lanka soldiers. Another spokesman said the talks would not be resumed until firm assurances were given that the ceasefire would be observed.

Much will depend on whether there is more violence in Sri Lanka this week, putting pressure on Indian efforts to get the Tamils to return to Thimpu, and on the Sri Lanka Government to offer more concessions.

Body of Bhutto's son sent to Pakistan for burial

THE BODY of the son of the late Pakistani President Zulfikar Ali Bhutto left Cannes for Zurich yesterday en route for Karachi and burial next to the remains of his father, AP reports from Cannes.

The body of 27-year-old Shahnawaz Bhutto will be accompanied today from Zurich to Karachi by his two sisters, Miss Benazir Bhutto, 32, head of the banned opposition Pakistan People's Party (PPP), and Mrs Sanan Bhutto Hussain.

Benazir Bhutto

Miss Bhutto was imprisoned by Pakistani military authorities for 34 months before being freed last year.

Pakistani authorities have granted permission for members of the Bhutto family and some of their advisors to return to Pakistan with the body.

Miss Bhutto is seen as a popular symbol of opposition to Pakistan's military rulers, who reportedly fear that her return for the burial could draw large crowds of supporters.

President Bhutto was overthrown in July 1977 in a military coop led by Gen Mohammad Zia ul-Haq, the country's current leader. Mr Bhutto, who had been elected president in March 1977, was hanged in 1979 following a controversial conviction on charges of conspiring to murder a political opponent.

Reuter adds: Sind Province Chief Minister Gharus Ali Shah said in an interview published yesterday the authorities would give all facilities to the Bhutto family for Shahnawaz's funeral but would not allow it to be turned into a political affair.

JAL crash Jumbo lost entire hydraulic system

BY CARLA RAPOPORT IN TOKYO

THE ENTIRE hydraulic system of the ill-fated JAL Boeing 747 was lost within a few minutes of take-off, according to the latest reports on the investigation of last Monday's crash which killed 520 people in the mountains north-west of Tokyo.

Although the Ministry of Transport has yet to release officially the contents of the voice and flight recorder, it is understood that the hydraulic system's failure in turn prevented the pilot from controlling the aircraft's altitude. It is not understood, however, if the force which destroyed the hydraulic system also damaged the aircraft's vertical stabiliser and rudder.

A JAL engineer yesterday refuted theories that the cracks and subsequent break in the pressure bulkhead at the rear of the aircraft could have been strong enough to cause the vertical stabiliser to crack and break off.

He told reporters that some external pressure may have been the cause, such as an incredibly strong wind or "clear air" turbulence.

Michael Donne, Aerospace Correspondent, writes: Rescue workers at the site of the JAL crash have now recovered the remains of 484 bodies from the 520 who died. Of those, so far only 359 have been identified.

Recovery operations are now being concentrated as much upon pieces of wreckage, as on retrieving human remains, in order to give the accident investigators as much material as possible on which to work.

It is clear that, over a week after the accident, the primary cause is still as much a mystery as ever.

Boeing engineers at the scene of the accident have confirmed that failure of the rear pressure bulkhead was not the cause. Examination of the pieces of the bulkhead so far recovered show no signs of cracks, corrosion or metal fatigue, it is claimed.

The information from the recovered cockpit voice recorder, indicating that the aircraft lost all hydraulic power before the crash, has introduced a new dimension into the investigation.

In the meantime, elsewhere in the world, the Boeing 747 fleet, nearly 600 strong, continues to fly normally. Apart from Japan itself, only the UK is undertaking specific additional precautionary checks on 747s, at the request of the Civil Aviation Authority.

Many airlines in other countries are making checks on their own volition.

So far, British Airways, with 28 Jumbo jets, has checked six and found no fault. Similarly, British Caledonian, with two 747s, has found nothing.

Mahathir sacks Chinese minister over party row

BY WONG SULONG IN KUALA LUMPUR

DR MAHATHIR MOHAMAD, the Malaysian Prime Minister, has intervened to break the impasse in the 18-month-long power struggle within the country's biggest Chinese party by sacking the most senior Chinese member of his Cabinet.

At a meeting of the ruling National Front coalition here over the weekend, Dr Mahathir also gave the Malaysian Chinese Association three months to resolve its leadership dispute or face explusion from the Government altogether.

By sacking Dr Neo Yee Pan, acting president of the MCA, as Minister of Housing and Local Government, but retaining three other MCA leaders in his cabinet, Dr Mahathir has signalled to MCA members that Dr Neo no longer enjoys his confidence.

The MCA has pledged to hold elections within the three months expulsion deadline, but whether this will come about is by no means clear since under the party's constitution, Dr Neo, 47, has virtual dictatorial powers, and it was his persistent refusal to hold elections or to step down that had prolonged the crisis.

Observers say the sacking of Dr Neo favours his main rival, Mr Tan Koon Swan, a prominent businessman, who heads the giant Multi-Purpose Holdings, as well as companies within Grand United Holdings and Supreme Corporation.

The MCA power struggle last week developed into a tragicomedy, when a third faction, which broke away from Dr Neo, emerged to claim the mandate to represent the MCA and the Chinese in the Government.

Budgets to be unveiled in Canberra, Wellington

By Michael Thompson-Noel in Canberra and Sandy Southon-Perry in Wellington

TODAY'S BUDGETS in Australia and New Zealand may not have much in common, but they will provide important political clues to the chances of survival of the right-wing socialist governments of Mr Bob Hawke and Mr David Lange respectively. Each has suffered lost popularity of late.

In Canberra, Mr Hawke's Australian Labor Party Government unfurls its third annual budget against a background of rising fears about inflation, and worries over Australia's lacklustre trade performance of late.

The Treasurer, Mr Paul Keating, has already promise a tight rein on expenditure, and is expected to announce a federal budget deficit for 1985-1986 of around A$5.5bn (£2.75bn), against one of A$6.75bn for the 12 months ended June 1985.

At the weekend, in a bid to regain the political initiative and stem criticism of his "weak" leadership, Mr Hawke announced a major youth employment scheme, details of which will be provided today.

In his budget speech, Mr Keating is expected to stress the Government's economic successes to date, including employment growth of 383,600 jobs since April 1983, a big reduction in strikes, rising private consumption, strong non-farm growth, and a recovery in profits.

However, there is mounting concern over the rate of inflation, which for the year to June was 6.7 per cent. With the underlying inflation rate exacerbated by higher import costs caused by this year's devaluation of the Australian dollar, some forecasters expect an inflation rate of 10 per cent by the end of the year.

The crunch is likely to come at next month's national wage hearing, when the Australian Council of Trade Unions argues for full wage indexation of the latest consumer price index rises, which totalled 3.8 per cent for the six months ended June.

In Wellington, Mr Roger Douglas, the Finance Minister is to introduce a budget which he says will dramatically reverse the "rising tide" of personal income tax that New Zealanders have been subject to in recent years.

Mr Douglas is expected to announce the introduction of a value added goods and services tax (Gst) from October 1986. The level at which this is pitched has been forecast variously at 10 per cent, 12.5 per cent and even 15 per cent with analysts tending to settle for the lowest figure.

Mr Douglas is also expected to cut indirect taxes by 20 per cent which would give average earners on NZ$15,000 (£5,750) a year an extra $20 a week to spend. Top rates for personal income tax are likely to be reduced to 48 cents in the dollar for those earning NZ$30,000 and above, well below the present 66 cents in the dollar at earnings of NZ$38,000.

Businesses may have to pay 10 per cent more tax at a predicted 50 cents in the dollar from the current rate of 45 cents in the dollar. The sharemarket index fell 30 points yesterday as budget jitters set in.

● The New Zealand dollar was pushed down yesterday by concern that the mini-budget may lead to a decline in the country's high interest rates, Reuter reports.

Ex-Asean chief faces subversion charge

By Kieran Cooke in Jakarta

MR H. R. DHARSONO, former commander of one of Indonesia's key military divisions and the first Secretary General of the Association of South-East Asian Nations, has appeared in court, accused of subversion.

He was charged with instigating a bombing campaign in Jakarta late last year, and of encouraging young Moslems to attack the Government. The trial was adjourned

Mr Dharsono told reporters he was not involved in trying to topple the Government, but had tried to find the truth behind riots in a poor section of Jakarata in September.

Car bombs kill 28 in Moslem part of Beirut

BY NORA BOUSTANY IN BEIRUT

SHORTLY after midday yesterday, separate car bombs rocked two crowded Moslem neighbourhoods at half-hour intervals, leaving 28 dead and 70 wounded, flaming cars and debris.

One occurred close to a modest local restaurant and the other just yards from a mosque, where people were heading for their noontime prayers. The booby-trapped cars, the latest episode in a wave of roving terror that has gripped Beirut, were in apparent retaliation for two similar bombings in Christian areas which killed 68 people and wounded 250 others last week.

Mr Nabih Berri, leader of the Shi'ite Amal movement and Lebanon's Justice Minister, signalled that more violence was inevitable. Attacks against Moslem areas will lead to a "military showdown," he commented after the first reports on the two car bombs yesterday.

The first blast devastated two floors of a building on a crowded narrow street and sent glass and bricks flying over a hundred yards. Two dozen cars were set ablaze and storefronts burst into shards of window panes and stripped metal.

Irate gunmen fired frantically into the air to disperse civilians and make way for rescue teams. A woman in a headscarf struggled with militiamen to search for her family, then fainted and collapsed on the street.

Two West Beirut hospitals receiving casualties issued radio appeals for blood donations.

The bombs, outside a restaurant in the Karakol Druze controlled quarter and at the mosque in Ghbaireh, a Shi'ite area, had been expected, after the Christian militias, the Lebanese Forces, vowed they would retaliate in kind, for the two bombs last week in the Christian area of East Beirut.

Former Lebanese President, Mr Camille Chamoun, yesterday used stronger language than is normal for him condemning the bombing attack in East Beirut which demolished a two-storey supermarket on Saturday. "Condemnation alone will not suffice . . . those behind this attack should know that they will get two blows for each one delivered," he warned.

The fact that Moslem leaders expressed indignation at the car bombs targeting Christian areas last week did not temper the rage of Christian leaders

An anonymous caller claiming to represent the hitherto unheard of "Black Brigades Organisation," told a Beirut-based foreign news agency shortly after the blasts yesterday: "We shall confront the war of annihilation against the Christian people with a counter-war of annihilation and declare our determination to avenge the death, slaughter and displacement of all Christians."

Though the authenticity of such groups and telephone calls is impossible to verify, the mood of waning tolerance among Moslems and Christians is unmistakable.

UN troops fear escalation of violence in S. Lebanon

BY WALTER ELLIS IN SOUTHERN LEBANON

TWO IRISH soldiers serving with the UN peace-keeping forces in Lebanon were lucky to escape with their lives in the early hours of yesterday morning when a mortar shell crashed through the roof of their sleeping quarters and embedded itself, without exploding, in the floor.

The shell was one of a number fired by the South Lebanon Army (SLA) in apparently desperate retaliation against the mounting pressure on it from Shi'ite elements striving to eliminate the force from Israel's self-styled "security zone."

According to the UN spokesman in South Lebanon, the position on the mountainous ridge north of the Israeli border held by the Israeli-sponsored SLA had come under attack from assailants and had replied "in all directions", hitting the Irish base near the village of Haddathah.

The incident was one of many over the weekend—part of what the UN fears may be a general escalation towards uncontrolled violence in the region in the aftermath of the Israel's military withdrawal from Lebanon in June—and as a result of its efforts to control the border area.

The SLA, which has shrunk and become demoralised, is under frequent attack from other factions in the area.

Hizbollah ("the Party of God") the extremist Shi'ite faction, is prominent in the renewed fighting both against the Irsaeli-sponsored SLA, now almost wholly a Christian force, and the remaining Israeli patrols still in Lebanon. Left-wing and other Shi'ite forces are also involved, and the increasing ferocity of the engagements has forced the militia of Amal, the mainstream Shi'ite movement, to step up its own activities in the area.

Amal is in control of the port city of Tyre, which remains battered but generally quiet. SLA forces fired five 130 mm artillery rounds at the city last Thursday, one of which hit a house.

Amal is still keeping a careful watch on the 50,000 Palestinians in three camps around Tyre, whose leaders still want the Palestine Liberation Organisation (PLO) to be an element in the Lebanese equation.

The Amal group is opposed to the continued use of car bombs by Hizbollah — recently they employed a rider astride a donkey — on the grounds that it is mostly civilians, not SLA fighters or Israelis who get hurt. But it is having to step up its own attacks generally in order to ensure the continued loyalty of a population determined to rid itself of Israeli influences.

At night, the skies around the various UN positions are often ablaze with rockets, mortar, tank and machine-gun fire as everyone, it seems, attacks everyone else. Travel to Tyre from the Israeli border, even in the company of UN personnel, was impossible yesterday. Too many checkpoints had been thrown up along the road, the UN said, and many of the gunmen were trigger-happy.

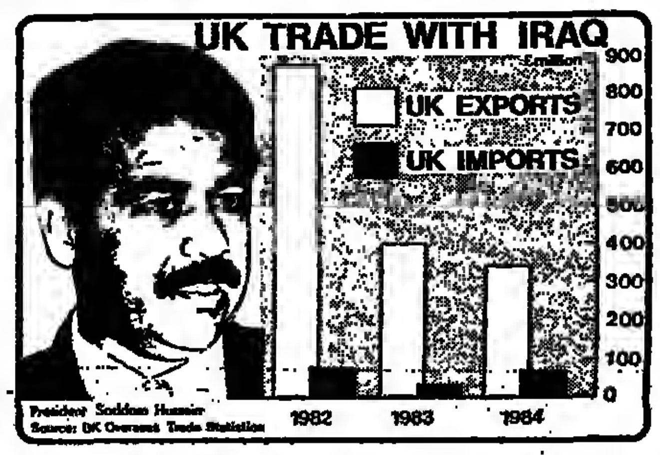
Israel is understood to have fewer than 700 troops in the whole South Lebanese area at present, but the SLA, still numbering around 1,000, including Christian village militias, remains as its eyes and ears and frequently acts on its own behalf.

Amal is determined that the Israeli buffer zone, now watched over by the UN's Unifil forces, should not become a launching pad for attacks on Isreal. It is anxious that Isreal should not be given an excuse to re-enter Lebanan in force. Internal feuding, however, involving much damage and loss of life, is still considered fair game.

Richard Evans, recently in Baghdad, reports on some effects of the war with Iran

Gulf bloodshed rallies Iraqis behind Hussein

THE LIKENESS of President Saddam Hussein is everywhere in Iraq. He smiles down from posters in shop windows, he dominates daily newspaper and television coverage, and coloured cutouts of the bemedalled soldier-president decorate new highways and key crossroads.



President Saddam Hussein
Source: UK Overseas Trade Statistics

Nearly five years of bloody conflict with Iran appear to have united Iraqis behind the President far more effectively than the ruling Baath Party managed to do before.

Suggestions that President Hussein might be toppled from within following his disastrous initial failure to defeat the Iranians faded as Iraqis, particularly military leaders, rallied behind the national cause in response to the direct threat to territorial integrity.

He has since emerged from a number of economic and military crises probably stronger than at any time since the war began. He has managed to retain the loyalty of the majority Shi'ite Moslem population always the most dangerous potential threat — and rallied his people against the forces of religious fundamentalism.

In essence, the war has allowed him to suppress the opposition and to treat his enemies as traitors to Iraq.

But the strain, both social and economic, of maintaining up to 1m men under arms has been considerable. The Iraqi economy expanded rapidly during the 1970s, particularly from 1974 to 1980 when gross domestic product grew by an average of 12 per cent a year. Oil exports were running at 3.3m barrels a day, which allowed Iraq to build up more than $35bn in foreign reserves. The Government, encouraged by firm oil prices, embarked on an ambitious development plan aimed at improving the infrastructure and developing the industrial and agricultural base.

Then came the war. Oil sales were reduced by two-thirds, foreign reserves were virtually eliminated and the development programme was cut back severely to concentrate on the war effort. Real GDP is thought to have fallen by more than 20 per cent in 1981, by a further 5 per cent in 1982 and 1983 and by 3 per cent in 1984.

Total Iraqi indebtedness to foreign creditors is about $40bn but at least two-thirds results from cash subventions and oil sold on Iraqi's behalf by Saudi Arabia, Kuwait and other Gulf states determined to prevent a victory by Iran's Ayatollah Khomeini that would destablise the whole region.

The country's commercial debt is estimated to be about $10bn. Last year Iraq's debt to foreign banks rose from $1.3bn to $2.8bn, according to the Bank for International Settlements.

Those foreign companies still operating in Iraq are relieved that the Government has largely come to terms with changed economic circumstances. Most have completed negotiations for deferred payment schemes and the central bank is so far adhering to the schedules

Total exposure of UK companies in Iraq is relatively small compared with their European and Japanese competitors, but Britain is actively pursuing new business. The last tranche of a Government-backed £275m line of credit made available in 1984 is about to be utilised. The Midland Bank has been mandated to arrange a further £300m this year.

The visitor to Basra and areas near the border with Iran is overwhelmed by signs of a country at war: a heavy military presence, sandbagged buildings and frequent road blocks. In Baghdad, however, there are few overt signs of war.

Shops and souks are generally well stocked and supplies of basic foodstuffs have improved considerably. In both industry and agriculture there has been a softening of the socialisation policy to allow more scope for the private sector. The main shortages are in supplies of consumer durables because of the lack of foreign exchange.

Top priority continues to be given to war-related construction and development projects. The import programme concentrates on essential foods, medicines and raw materials for industry and agriculture.

Much of Baghdad's optimism about the country's economic prospects is based on the premise that oil output will increase shortly from the present level of 1.3m barrels a day, of which up to 300,000 b/d is consumed domestically.

Anticipated increases in revenue both from Iraq's existing pipeline through Turkey and from other planned export outlets will make it easier to repay debts

Any increase would also help to rebut Iranian attempts to wage a war of economic attrition in the hope of toppling President Hussein.

A new pipeline across Saudi Arabia to the Red Sea port of Yanbu, with a design capacity of 500,000 b/d is due to begin operation next month and to become fully operational by the end of the year.

Tenders have also gone out for a second pipeline across Turkey to become operational in about 18 months. This would also increase Iraq's exports by about 500,000 b/d.

Completion of both pipelines would release a great deal of the strain on the Iraqi economy, but a near doubling of exports would inevitably lead to problems with Iraqi's partners in the Organisation of Petroleum Exporting Countries (Opec). Given the weak state of oil prices, other Opec countries would be unwilling to see Iraq take such a large slice of the cake.

The present military stalemate, with occasional bursts of activity on various sectors of the front which do nothing to resolve the conflict, means that the Iraqi authorities must plan ahead on the assumption of an indefinite war.

The unpleasant truth is that an inconclusive war suits almost everyone, including the U.S. and Soviet Union, and Iraq and Iran's nervous neighbours who do not wish outright victory to go to either side.

It is also probably true that both belligerent Governments can be more confident of staying in power while the war lasts than after it ends.

A U.S. Navy bomb disposal team flew to a war-damaged tanker off the Gulf state of Qatar yesterday to deal with an unexploded missile on board, shipping sources said, Reuter reports from Bahrain. Iranian jets had fired two missiles into the 26,134-ton Belgian-registered Naess Leopard 25 nautical miles east of Qatar on Sunday in what is seen as retaliation for Thursday's Iraqi air attack on Iran's Kharg Island oil terminal. Only one missile exploded.

Sahel tragedy 'likely to have been averted'

BY PATTI WALDMEIR

A SENIOR United Nations official in charge of drought relief in Africa yesterday sounded one of the first notes of cautious optimism since the emergency began over a year ago, saying that the prospect of a major tragedy in the Sahel region of Africa has now receded.

Mr Maurice Strong, executive co-ordinator of the UN's Office of Emergency Operations in Africa, told a London press conference that the international community could take some satisfaction from the fact that literally millions of lives now appeared to have been saved by its intervention with emergency aid.

In Sudan, one of the worst-hit countries in the region, Mr Strong said "the large-scale tragedy in prospect there has very likely been averted" as a result of good seasonal rains over the past few weeks, the prospect of the first good harvest in years and the arrival in the country of donated trucks to help in transporting food aid.

As recently as three weeks ago, Mr Strong's office issued an appeal saying that the emergency situation in Sudan had reached "potentially catastrophic proportions" and saying hundreds of thousands of lives were at risk in western Sudan alone. Some recent visitors to western Sudan questioned the grounds for even the fairly guarded optimism expressed by Mr Strong, yesterday.

He confirmed that the United States aid agency, USAID, had made a serious mistake in Sudan by attempting to rely on a railroad to Western Sudan which has been frequently washed away by floods, saying this led to serious delays on delivering relief food.

He did, however, stress that a "very very substantial" number of people could still be at risk throughout the Sahel, especially from diseases which strike children and those weakened by prolonged undernourishment. "But the prospects of them making it are now better than they were," he added.

He stressed that there was now a pressing need to construct storage facilities in Sudan and elsewhere to absorb food aid now in the area.

Ugandan leader visits Kenya

UGANDA'S new military leader, Lt-Gen Tito Okello, went to Nairobi yesterday to meet Kenyan President Daniel Arap Moi, in what observers said could be a prelude to peace talks with Ugandan guerrillas, Reuter reports from Nairobi.

No details were immediately available. Lt-Gen Okello last week flew to Tanzania to meet President Julius Nyerere and Ugandan guerrilla leader Mr Yoweri Museveni, but Mr Museveni failed to turn up. Guerrilla support for the new government is considered crucial to Uganda's future stability.

● The Ugandan newspaper Munno said yesterday it had discovered the skeletons of more than 2,000 people believed to have been killed by the army.

Zimbabwe orders increases in banks' reserve ratios

BY TONY HAWKINS IN HARARE

THE Zimbabwe Government has moved to tighten credit by raising the reserve ratios of commercial and merchant banks from 8 to 10 per cent of their deposits. The banks have until October 21 to comply with this regulation.

The Zimbabwe central bank also announced its intention of increasing its issue of non-transferable and non-rediscountable Reserve Bank bills which will be taken up by the banks as a means of mopping up excess liquidity.

In its monetary policy statement the Reserve Bank promised further measures to tighten hire-purchase regulations in respect of purchases of consumer goods adding that cheaper and easier credit would be made available for investment purposes.

The bank said that following a bumper agricultural season, there was an unprecedented demand for credit on the part of the state-owned Agricultural Marketing Authority whose borrowings, mostly from the banks, will this year exceed Z$1bn (£457m).

In addition, the banks would have to provide a high proportion of the Z$550m needed to finance the Government's budget deficit. The central bank said that if action were not taken to curb excessive money supply growth, this would reach 40 per cent while inflation might be expected to double from its current level of around 10 per cent.

The monetary measures announced will lead to a tightening of credit markets and a "significant firming" of deposit rates. But bank lending rates will remain unchanged thereby narrowing their profit margins. The net effect would be that there will be less credit available for non-essential activities while credit availability for productive activity should continue at existing lending rates to maintain the economic recovery, the Reserve Bank said.

It seems clear that the credit squeeze will be further tightened if money supply growth is felt to be excessive and the Reserve Bank warned that changes in bank liquidity ratios would be imposed "when appropriate."

Zimbabwe's inflation rate which dipped below 10 per cent in June this year, is forecast to reach 15 per cent by early 1986, but the latest measures should help to restrain the rate of price increases next year.

The measures come less than a month after the modestly expansionist 1985 budget which means that Zimbabwe has an expansionary fiscal policy accompanied by a restrictive monetary stance.

Zimbabwean police are holding four Bulawayo city councillors as part of the continuing government offensive against Mr Joshua Nkomo's opposition Zapu party. Announcing this yesterday the mayor of Bulawayo, Mr Enos Mdlongwa, said that he and the town clerk had been among 11 councillors detained early on Friday morning

Seven were released later the same day, but four are still being held as part of the month-long offensive against Zapu, in which upwards of 430 prominent members of the party have been detained.

The ruling Zanu-PF Party launched the campaign against Zapu shortly after last month's general elections in which, to Prime Minister Robert Mugabe's displeasure, the voters of Matabeleland returned 15 Zapu members of parliament and none from the ruling party.

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EEC steel output rises only 1% in first half of year

BY PAUL CHEESERIGHT IN BRUSSELS

CRUDE STEEL production in the European Community rose by a tiny 1 per cent in the first balf of this year compared with 1984, emphasising the fragile nature of the industry's recovery.

In the first six months of this year total crude steel production in the EEC was 61.5m tonnes, according to the statisticians. But the plus point for the industry was that over the first four months of the year new nrders were 2m tonnes higher, nr 6.4 per cent more, than total deliveries.

Generally the market has responded to the npturn in economic activity, while production over a whole range of prodncts has been kept in check by the output set quarterly by the European Commission. Generally, too, minimum prices have been holding.

But the apparent rough balance between supply and demand hides considerable excess capacity. Tha Commission has calculated that a further 24.5m tonnes of bot-rolled capacity needs to be shed by 1990, to bring about a real balance. Capacity cuts since 1980 total 30m tonnes.

In June, EEC crude steel production was 10.6m tonnes, but declined to 9.8m tonnes in July.

Breakdown of the figures shows that crude steel production in the UK has been running at a perceptibly higher level than last year. In the first six months, output was 8.2m tonnes, an average of 1.37m tonnes a month, while in 1984 monthly overage production was 1.27m tonnes.

British imports of steel from other EEC countries averaged nearly 182,000 tonnes a month in the period to May against an average of 184,600 tonnes a month in 1984 when the coal miners strike was in full swing.

● The Commission has completed negotiations of new scientific and technical co-operation agreements with Sweden and Switzerland. They are a framework for more specific project agreements.

They provide for regular talks on priorities, the exchange of information, the co-ordination of projects and participation in each other's programmes, the Commission said yesterday.

Danish MP investigated over fish fraud claim

By Hilary Barnes in Copenhagen

A DANISH MP is under investigation by fraud police in connection with an alleged swindle involving EEC fisheries policy funds.

Mr Laurits Tornaes, a member of the Liberal Party which is in the government coalition, is not alleged to have made a personal gain. He has been investigated in his capacity as chairman in 1983-84 of the Danish Fish Producers Association. This administers the fisheries policy funds, which are used to provide fishermen with a minimum price.

Police allege that during this period fisherman on the Baltic island of Bornholm obtained funds by providing misleading information on fish prices. The sum involved is said to be about DKr11m (£785,000).

The MP said yesterday that the issue is basically one of principle and has arisen because there is no public auction of fish on Bornholm as there is in most nther ports. An auction establishes a transparent price structure and enables the producers' association to pay EEC subsidies without being in doubt about the true price of the fish.

Without an anction, the decision is more complicated, but Mr Tornaes pointed out that the system operated on Bornholm was sent up in co-operation with the Danish Fisheries Ministry.

He denied the producers' association has knowingly helped the alleged swindle but he said that, as chairman of the producers' association, he would accept responsibility for any irregularities it committed. It was Mr Tornaes himself who called in the police when he suspected that there may have been irregularities.

GREENPEACE AFFAIR TRIGGERS UNWELCOME MEMORIES FOR FRENCH GOVERNMENT

Socialists suffer for secret service purge

BY DAVID HOUSEGO IN PARIS

THE GROWING political controversy in France over the sinking of the Greenpeace ship, Rainbow Warrior, has brought back into the limelight the clumsy mishandling of France's intelligence service by the Mitterrand edministration during the Socialists' first years in office.

Over the past week evidence has been growing that the Direction Generale de Securité Exterieure (DGSE) for blowing up the Greenpeace vessel, which caused the death of a crew member, e Portuguese photographer.

Traditionally suspicious of the independence nf the French secret services, the Socialists purged and nverhauled the organisation heavily soon after they came to power. DGSE supporters are now implying through Press leaks that the bungling of the Greenpeace operation stems from the damage done to the DGSE in 1981-82.

The purge was carried out by M Pierre Marion, a nominee of M Charles Hernu, the Defence Minister. He was replaced after 18 months when it became clear that the organisation had been seriously weakened and demoralised. It is now being recalled to M Hernu's discredit that he insisted on M Marion's appointment in spite of warnings that he had little intelligence experience and had a nervous, excitable character.

M Marrion, who has spent most nf his career in the aircraft industry, has since been made head of the Paris airports.

Socialist distrust of the foreign intelligence service date back at least to 1965 when the SDECE, as it was then called, was alleged to have been involved in the kidnapping from Paris of Mehdi ben Barka, tha Moroccan opposition leaders. However, from 1970 until 1981, it was takan in hand and strengthened by Comte Alexandre de Marenches, a talented, colourful individual who won both independent and an international reputatinn.

Distrust of the organisation by the Socialists was reflected in their setting up, while in opposition in the 1970s, a committee aimed at checking its power and giving it a greater role in economic and industrial intelligence gathering.

M Marion swept aside Comte de Marenches's senior officers when he took over in June, 1981 , before carrying out a radical reorganisation. This was intended to curtall the independence of the different divisions in favour of a centralised reporting system. In the process he appears to have alientated a large number of both the Paris staff and of agents abroad with the result that a good many nf them resigned. He also closed the nrganisation's South African section which in retrospect was shnrt-sighted.

The magazine L'Express, giving a detailed history of the changes in the service, recalls that he also made himself unpopular through mispleced suspicions that intelligence officials had leaked infnrmation about a briefing for the personal staff of Communist ministers.

In April 1982 the serviee was given a new cbarter and had its name changed tn the DGSE. More emphasis was put on infiltrating the Soviet bloc and on economic intelligence gathering. At the same time it was deprived of any responsibility for counter-intelligence work on Frencb soil.

M Marion was replaced in November of that year by Admiral Pierre Lacoste, epparently after the then chief of the armed forces had complained of the diminished effectiveness of France's foreign intelligence service.

The DGSE still bas responsibility for France's intelligence effort in Africa and elsewhere in the Third World as well as for James Bond-style operations abroad. It is believed to have been responsible for the killing of the Syrian cultural attache in Spain in 1982 shortly after Syrian agents organised a large bomb explosion in Paris.

Danish police caution MP

BY HILARY BARNES IN COPENHAGEN

MR LAURITS Tørnaes, a member of the Folketing (parliament) for the coalition Liberal Party, has been issued with a preliminary charge by fraud police in connection with an alleged swindle involving EEC fisheries policy funds.

Mr Tørnaes is not alleged to have made a personal gain. Police allege that while he was chairman of the Danish Fish Producers Association from 1983-84 fishermen on the Baltic island of Bornholm obtained funds by providing misleading information on fish prices. The sum involved is said to be about DKr 11m ($1.09m).

The association administers the fisheries policy funds which are used to provide fishermen with a minimum price.

A preliminary charge is roughly equivalent to a caution under English law. If the case is ever brought to court, a formal indictment will have to be made later.

Mr Tørnaes said yesterday that the issue is basically one of principle and has arisen because on Bornholm there is no public auction of fish, as in most other ports.

An auction establishes a transparent price structure and enables the association to pay EEC subsidies without being in doubt about the true price of the fish.

Without an auction, the decision is more complicated, but Mr Tørnaes pointed out that the system operated on Bornholm was set up in full co-operation with the Danish Fisheries Ministry.

He denied that the producers association has knowingly facilitated the alleged swindle or participated in it in any way, but he said that as chairman of the association he was prepared to accept responsibility for any irregularities committed by the association. It was Mr Tørnaes himself who called on the police to look into the subsidies paid to the Bornholm fishermen

● Denmark's biggest pension fund, the PKA, with assets of about DKr 20bn appears to be breaking up. The fund is e system of joint administration for 14 public sector trade union pension funds. Four of the unions announced at the weekend that they were withdrawing from the PKA.

The four are all members of the Federation of Local Government Employees, whose chairman, Mr Poul Winckler, said yesterday that the main reason for the break was differences over investment strategy.

Industrial chaos looms in Gibraltar dispute

BY JOSEPH GARCIA IN GIBRALTAR

GIBRALTAR appears to be on the verge of prolonged industrial chaos following the worsening of e dispute between the Government and the local branch of the Transport and General Workers Union.

After two weeks of dialogue to try to find e way out, the Government broke off the talks on Friday and went ahead yesterday with its threat to send workers home without pay unless selective industrial action ceased.

The three areas directly affected are the highly sensitive power station, the airport and an asphalt plant. The disputes, involving work practices, allowances and productivity schemes, go back between three and 13 months.

The Government started getting tough by sending home four workers at the asphalt plant. Such action is rare in Gibraltar.

The union has reacted by saying that it is now in a state of dispute with the Government as a whole and has warned of far-reaching implications including the prospect of an indefinite general strike.

The TGWU is by far the largest union in Gibraltar.

A government statement said that Gibraltar could be thrown into turmoil and damage might be done to the tourist industry. "It was pointless to continue the talks with the union," said Sir Joshua Hassan, Chief Minister.

The Government said it had exercised great patience over many months to avoid a confrontation but the time had come for action.

Gibraltar strike threat

BY JOSEPH GARCIA IN GIBRALTAR

MR ALEX KITSON, deputy secretary of Britain's Transport and General Workers Union (TGWU), will visit Gibraltar on Thursday to try to resolve a worsening dispute between the local branch of the union and the Rock's Government.

The dispute, which has come to a head in recent weeks, involves TGWU claims about irregularities in work practices and Government moves to send workers home withont pay unless selective industrial action is stopped.

The move has prompted a claim by the union that it is now in dispute with the Government as a whole. The TGWU has also warned of far-reaching implications, including the prospect of an indefinite general strike.

Canaries separatist ends exile

BY OUR MADRID CORRESPONDENT

SR ANTONIO CUBILLO, leader of a Canary Islands separatist movement, appeared in a Madrid court yesterday after being detained by police in his arrival in the islands from a 23-year exile. He was released on bail of Pta 300,000 (£1,320).

The trial on criminal damage charges dating back to 1978 threatens to provide a focus for anti-Madrid sentiment in the islands, where the terms of Spanish entry to the European Community have caused widespread discontent. Sr Cubillo was covered by an amnesty in 1977, but faces charges for allegedly instigating a series of explosions in the islands the following year.

He was met by plainclothes police at Gando airport on Gran Canaria on Sunday and put on a flight to Madrid. He had flown to the islands from Algiers on a roundabout route via Paris and Lisbon. There were clashes at the airport between police and supporters

Sr Cubillo, who announced two years ago he was ready to return to take part in island politics, plans to stand as a candidate in next year's general election.

At the time of the bombings he is accused of instigating, Sr Cubillo says he was in hospital in Algiers recovering from an attempt on his life which left him crippled.

Arrested in 1962 in connection with labour strikes, Sr Cubillo escaped abroad while on bail, and later set up the Movement for Self-determination and Independence of the Canary Archipelago (MPAIAC) in Algiers and for several years ran a "Free Canaries" radio station. However, in recent years the Algerian authorities have ceased to give him and his movement public support.

Sr Cubillo maintains that the Canaries belong to Africa, and opposes their becoming part of the EEC. Under Spain's EEC treaty, the islands will be incorporated into the Community but stay outside the customs union and common agricultural policy. Canary products, including fruit and vegetables, will be subject to quotas on the EEC market.

Den Uyl to lead Labour in general election

BY LAURA RAUN IN AMSTERDAM

MR JOOP DEN UYL, the veteran Labour party politician, will lead the opposition Socialists in the May 1986 Dutch general elections, thus boosting Labour's chances of participating in the next government and his chances of becoming Prime Minister.

Mr den Uyl, 66, a former Prime Minister and cabinet minister announced that he was willing to head the Labour ticket, thereby averting a viciously disruptive battle over his successor.

Acrimonious jostling already began last year when Mr den Uyl indicated that he might not lead his party again in the 1986 elections, having headed the candidates slate six times before. A party official for 18 years, Mr den Uyl will be confirmed at the Labour congress next February.

The Socialists, who have been riding high in the public opinion polls for a year, also announced the principal outlines of their campaign platform. The plank that diverges most from the policies of the governing Christian Democrat-Liberal coalition is Labour's categorical opposition to the deployment of Nato nuclear missiles on Dutch soil.

A compromise over the controversial missile question probably would be the biggest stumbling block in the forging of a coalition between the Labourites and Christian Democrats, with the latter virtually having resigned themselves to the acceptance of the cruise and Pershing-2 missiles. The Socialists have promised to continue to do battle over the missiles even if the parliament votes on November 1 to approve deployment, as is expected.

In economic and social policy, the Labour Party platform is somewhat closer to the current centre-right government, holding out more promise of compromise. The Socialists urge continuation of economic austerity measures but at a more modest pace; acceleration of the battle against unemployment through work-time shortening and the maintenance of purchasing power.

Soviet grain harvest 'on target'

By Our Moscow Correspondent

THE SOVIET UNION appears to have a grain harvest of 190m tonnes well within its sights – a figure which will reduce import requirements but still represents yet another harvest below target.

Commenting on the harvest so far, Western agricultural specialists said that work was lagging in some regions but that overall farmers had struck lucky with warm, dry weather this month and used it to step up grain collection.

The specialists believe Soviet agricultural workers must sustain this more lively pace and aim to finish cutting on all but a small proportion of the sown area by early September, otherwise bad weather could make harvesting difficult.

The U.S. Department of Agriculture (USDA) currently estimates the Soviet harvest will reach 190m tonnes; 20m tonnes up on last year but below the 239m set as the annual average target figure for the 1981-85 five-year plan.

Early this summer the USDA cut its estimate from 195m tonnes to account for drought in some regions. Moscow's last successful crop was 235m tonnes in 1978.

Moscow is likely to meet the USDA estimate and could even, according to the specialists, exceed it by a small margin. They attribute this to the good weather, which has not only given farmers longer in the fields but also produced high-quality grain and fewer losses through damp.

A crop of 190m tonnes would cut the amount of grain the Soviet Union needs to import to about 40m tonnes from the record 55m tonnes required in the last harvest year.

Cyprus woos Arabs after resort clashes

BY ANDREAS HADJIPAPAS IN NICOSIA

THE CYPRUS Government was yesterday taking urgent steps to avert a possible Arab backlash against Cypriot interests, following an attack by young Greek Cypriots against Lebanese and other Arabs in the southern tourist resort of Limassol at the weekend, in which 11 people were hurt.

Mr Savvas Antoniou, the police chief, strongly condemned the incidents while government ministers were reassuring Arab diplomats that the authorities were taking every measure to ensure the safety of Arabs living or holidaying on the island, and to prevent similar incidents.

Officials were expressing concern about possible Arab reprisals that could affect the island's tourist industry, Cypriot contractors and workers in Arab countries and Cyprus exports to the Arab world.

The police chief said seven Greek Cypriots were detained while strong police reinforcements were dispatched to the city to restore order. In the clashes, which lasted three hours, hundreds of young Cypriots described by police as "hooligans" attacked Arabs in restaurants and other places saying they did not want the Arabs in the town any longer.

AMERICAN NEWS

Small rise in U.S. personal income

By Nancy Dunne in Washington

U.S. PERSONAL income increased a modest 0.4 per cent in July, with wages rising at their slowest rate this year.

The Commerce Department reported yesterday that wages ond salaries increased only $1.7 bn (£1.2 bn) in July, compared with $10.8 bn in June and $7.4 bn in May.

The gain in personal income was largely due to a $5 bn increase in retroactive social security payments during the month which resulted from a recalculation of the wage base of retirees. The report, like previous economic news this month, suggests a slowing economy and came as no surprise to private economists, whose estimates had ranged between gains of 0.2 per cent to 0.7 per cent.

Spending on goods and services also advanced last month by an unimpressive 0.4 per cent. The expenditure figures are being watched closely by economists who are concerned that heavily indebted Americans are becoming increasingly reluctant to spend. Disposable personal income—personal income minus personal tax and non-tax payments—rose 0.4 per cent in July after plunging 2.5 per cent in June.

With wages and spending increasing at the same rate, Americans held their savings rate to 3.4 per cent in July for the second consecutive month,

Air Canada side-steps strike

Air Canada said yesterday it would keep flying in spite of a strike by 3,211 flight attendants that came at the peak of the holiday travel season, AP reports from Montreal.

The airline trained 1,800 Air Canada management personnel end university students as substitutes for the striking attendants.

Rosenberg emerges as the man in charge of Brazil's economy

BY ANDREW WHITLEY IN RIO DE JANERIO

A PREVIOUSLY little known economist, Sr Luis Paulo Rosenberg, has emerged in recent weeks as indisputably the most powerful of Brazil's quarrelling economic authorities: the country's chief debt co-ordinator and, in practice, though not in title, Minister of Economy.

His official title is the modest one of Presidential Adviser on the Economy. But as e key member of the "kitchen cabinet" President Jose Sarney is gathering around himself, Sr Rosenberg has affectively overshadowed Sr Francisco Dornelles, the man appointed by the late President - elect Tancredo Neves as Finance Minister and "Sheriff" of the Brazilian Economy.

There has been no official announcement of the change, but the shift of power in Brasilia is apparent for all to see. Sr Rosenberg speaks with confidence and authority about "my budget" and "my plans" to deal with bank creditors.

He has also forged a close working alliance with another Sao Paulo economist, Sr Joao Sayad, the influential Planning Minister, who, perhaps best of the Government's ministers, understands the the political necessities behind current economic policy decisions.

The Sao Paulo alignment is one which in a country still riven by regional rivalries has been to the obvious disadvantage of the Minas Gerais-born Sr Dornelles and of Sr Antonio Carlos Lemgruber, the Central Bank governor, who comes from Rio de Janeiro.

The fact that both these latter officials are orthodox monetarists unpopular with the politicians of the ruling Democratic Alliance only adds to the gulf between the two camps.

The curious feature of Sr Rosenberg's rise to eminence is that he was e former pupil of Sr Antonio Delfim Netto and later, "backroom boy" for the long-term master of the Brazilian economy, now publicly discredited.

He first caught the President's eye at a "brainstorming session" in May when Sr Sarney brought together in Brasilia a group of leading lights on the economy to thrash out a priority agenda to tackle the country's problems.

The 40-year-old Jewish economist with e doctorate from Vanderbilt University in the U.S. was the neutral aide Sr Sarney decided he needed.

When a mission from Brazil goes to the International Monetary Fund in the next few days — possibly at the end of this week — for what officials say will be the "last chance" for an agreement covering 1985, Sr Rosenberg is expected to be among them. He may even lead the team.

In the meantime the President's adviser is setting a cool, deliberate pace of his own choosing. "As time goes by I hope the IMF will see we mean business," he told the Financial Times last week.

As for the bank negotiations, although these are not yet at the centre of ettention at the presidential palace, Sr Rosenberg has already mapped out his scenario: New money? "Not only do I not need it (in the years under review, up to 1991) I don't want it," he emphasised.

Diplomat to become coffee supremo

By Our Rio De Janeiro Correspondent

A CAREER diplomat, Sr Carlos Alberto Leite Barbosa, has been appointed as the new head of the Brazilian Coffee Institute, the IBC, following the surprise resignation last Friday of Sr Karlos Rischbieter.

Citing "insuperable differences of style" with government authorities, Sr Rischbieter's resignation is widely believed to be linked to the recent announcement by Sr Roberto Gusmao, the Industry and Commerce Minister, of a profound shake up in the inefficient and overstaffed IBC, possibly leading to its eventual abolition.

Sr Leite Barbosa, 50, who had been serving as ambassador to Colombia, was confirmed in the key official post, responsible for Brazil's most important export product, on Sunday after a meeting with President Jose Sarney.

Later Sr Gusmao said the new IBC chief, regarded as the leading coffee specialist in the Brazilian Foreign Ministry, agreed with his ideas on the administrative reform of the Rio de Janeiro-based institute.

Battered by a series of shocks in recent weeks, the Brazilian coffee industry, the largest in the world, is in a state of considerable disarray. Sr Leite Barbosa's most important initial task will be to restore e sense of confidence and direction.

With less than four weeks to go before the key annual meeting in London of the International Coffee Organisation —the producers and consumers' cartel—the change of command at the IBC has shaken an already deeply demoralised organisation.

Andrew Whitley examines the Sarney Administration's draft proposals for revitalising the economy

Brasilia performs aboutface and puts poverty first

FOR THE first time in nearly 50 years, the alleviation of poverty and its ettendant ills are top of the priority list for a Brazilian Government.

As a draft National Development Plan now under discussion says, the greatest threat to national security does not come from the military's traditional bogies of communism or "subversion," but from "the poorest peripheries of the great urban centres, unsatisfactory salaries, malnutrition and precarious health services."

The document, drawn up by Sr Joao Sayad, the Planning Minister, proposes nothing less than a 180 degree reorientation of the role of the state in the economy and the development of the country as laid down since 1940.

The 39-year-old Planning Minister, a rising star in the five-month old Government of President Jose Sarney, is the cutting edge of the Democratic Alliance, the two-party opposition coalition which came to power on a pledge to "redeem the social debt."

The debt, argues this Government "Green Paper," is to more than 50m Brazilians, nearly 40 per cent of the population, who continue to suffer from ecute misery despite the tremendous strides made by the economy since the Second World War.

To alleviate their condition, the Planning Ministry, with the backing of President Sarney, recently initiated an immediate programme of emergency support — e down payment, so to speak, on the debt — as well as a parallel "stabilisation" programme for the out-of-kelter public finances.

Economic authorities in the Government agree on few matters. But two points on which there is consent, though for different reasons, are the dangers of the snowballing public sector deficit and the economic benefits to be gained from a Thatcher-style privatisation programme.

Sr Roberto Gusmao, the Industry and Commerce Minister, a successful businessman in private life, and Sr Francisco Dornelles, his dour counterpart at the Finance Ministry, are the zealots preaching the gospel of privatisation out of faith.

In recent weeks both have made outspoken speeches in favour of a far-reaching "sell-off" of large chunks of state-controlled industry as well as the abolition of Government

● Sarney—new priorities

The greatest threat to Brazil's national security, according to the Government, is not communism or "subversion" but unsatisfactory salaries, malnutrition and precarious health services.

supervisory bodies in key sectors such as coffee, sugar and alcohol fuel.

While stopping short of recommending the end of state control of such internationally known groups as Companhia Vale do Rio Doce (CVRD), the minerals-based group, and Petrobras, the oil company, the Industry Minister proposed that, for instance, parts of Sidebras, the steel holding company, could usefully be privatised.

For a country in which the doctrine that the state should play the leading role in economic development has traditionally united both the Left and the Right, such proposals would in the past have been tantamount to treason.

There is a new wind blowing, however, as even the statist-minded Sr Sayad has recognised publicly. The development plan document acknowledges public demands for "a reduction of the presence of the state in the productive sector."

The Planning Ministry proposes that, at a time of scarce public resources, what there is available should be allocated to needy areas of traditional government action, notably health, public transport and — in response to the ever-growing problem of hunger in Brazil —basic foodstuffs.

Projects of doubtful social value or limited economic return in the foreseable future are to be axed. A list of 19 such projects, many of them celebrated "white elephants" such as the so-called Steel Railroad, has already been published. Others may follow if the cuts-hungry Finance Ministry has its way.

The Planning Ministry, with admirable resolve, says that during the Sarney Administration's expected four-year stay in office the Government will not initiate any new industrial, agricultural or infrastructure development project. Funds for those projects inherited at an edvanced atage will be disbursed sparingly to finish them off.

In its analysis of the present economic scene, it notes that there is excess capecity in many parts of the industrial sector, which therefore needs no more state help; there is no more need for heavy public investment in basic raw materials or other industrial inputs and import substitution is well advanced.

While defending the need for a mixed economy in which the state would continue to play an important role, Sr Sayad argues that the massive allocation of resources which previous governments made to the economy actually aggravated the condition of the poorest in Brazil rather than ameliorating it.

Sr Sayad and the other economic ministers in their drive to revitalise and re-orientate the economy, are gambling thet the private sector will respond to their initiative and take up the space left by the retreating state.

With investment at negligible levels—thanks to the persistence of record interest rates and inflation and uncertainty over the substance as opposed to the rhetoric of Government policy, such a response from private business will take a large act of faith.

WORLD TRADE NEWS

Asean fears U.S. Bill to curb textile imports

By Chris Sherwell, South East Asia Correspondent

PROPOSED U.S. legislation to limit textile imports is of grave concern to the six-member Association of South East Asian Nations (Asean) because it could do irreparable damage to the region's textile industry, a U.S. Congressional delegation was told in Bangkok yesterday.

The delegation is led by Congressman Sam Gibbons, head of the trade sub-committee of the House Ways and Means Committee. The proposed Textile and Apparel Enforcement Act is known more commonly as the Jenkins Bill.

A team from Asean—which comprises Thailand, Indonesia, Malaysia, Singapore, the Philippines and Brunei—forcefully reminded the U.S. delegation of the grouping's importance to the U.S. in economic, trade and security terms.

"We in Asean are increasingly sensitive to the growing protectionist mood in Congress," the Asean statement said. "We are epprehensive about proposed legislation and administrative measures that will seriously hurt Asean economies."

The Jenkins Bill would "drastically cut" Asean textiles exports and do irreparable damage to a key industry, was contrary to the spirit of free trade, violated provisions of the Multi-Fibre Arrangement (MFA) and was discriminatory, the statement said.

The six-nation grouping urged Congress to support the negotiation of the MFA to reflect U.S. concerns, saying Asean would view favourably U.S. problems. The U.S.'s biggest trade problems, it insisted, were not with Asean.

The member-states most likely to be affected by the legislation are Thailand, Indonesia, the Philippines and Singapore.

All would face unotas under the Jenkins Bill.

Boeing in $50m airliner pact

BOEING of the U.S. has won an order for two 737-300 twin-engined short-to-medium-range jet airliners, worth about $50m (£35.7m) from International Lease Finance Corporation (ILFC) of Beverly Hills, California, Michael Donne, Aerospace Correspondent, writes.

This deal is part of a Memorandum of Understanding announced last May, whereby ILFC planned to buy up to 21 new-generation jet airliners worth $1bn over the next few years.

TAX INCENTIVES URGED FOR JAPANESE COMPANIES

Aid investment abroad, Miti told

BY CARLA RAPOPORT IN TOKYO

THE JAPANESE Government should encourage overseas investment by Japanese companies through tax and financial incentives, according to a report released by an advisory committee to the Ministry of International Trade and Industry (Miti) yesterday.

Direct overseas investment by Japanese companies last year leapt by 24 per cent to top $10bn (£7.1bn) for the first time, the advisory committee reported.

Investment in banking and insurance overseas showed the largest increase, nearly doubling from $1.2bn to $2.1bn last year.

Nonetheless, the edvisory committee called on the Japanese Government to promote overseas investment to help ease trade friction, reduce protectionism and help boost the world's economy.

The group showed that although growing Japanese overseas production relative to domestic production is only 3 per cent against nearly 20 per cent for the U.S. and even more for West Germany.

The group reported that Japanese companies are diversifying away from making developing country investments primarily and are now making large investments in both developing and developed countries.

The areas of emphasis in developed countries has been in electrical machinery, electronics and transportation machinery, the study stated.

"The decision to invest with individual private companies, but because industrial co-operation is an urgent and important task in today's international economic environment, the government should study ways of supporting it through tax and financial measures," the study concluded.

The report also said that the management of overseas operations by Japanese companies was "not yet satisfactory." It called on companies to improve their international management.

"They should make an effort to participate in cultural and volunteer activities as contributing members of the society in which they operate."

More important, "it is necessary to develop personnel suitable for this age of internationalisation."

● Mr Robert Dole, U.S. Senate majority leader, yesterday called on Japan to ect now to reduce its trade surplus and head off protectionist Bills in the U.S. Congress, Renter reports from Tokyo.

"We can no longer avoid a trade confrontation. We have one," he said. "The time is past for gestures. Immediate action is needed."

Mr Dole, in Japan with six other senators for talks with ministers and business leaders, acknowledged that much of the $37bn U.S. trade deficit with Japan last year was due to the vast budget deficit and the dollar's high value.

But he added: "None of this can erase the fact that our major problem is with Japan."

TRENDS IN JAPANESE DIRECT FOREIGN INVESTMENT ($m)

fiscal year	1979	1980	1981	1982	1983	1984	cumulative
Agriculture, forestry and fishery	154	72	111	62	35	50	1,167
Mining	857	565	2,534	485	382	404	11,758
Manufacturing	1,693	1,706	2,305	2,076	2,588	2,505	22,048
Construction	85	37	96	44	55	112	703
Commerce	834	797	1,174	1,899	1,164	1,482	11,128
Banking and insurance	198	388	843	533	1,167	2,085	7,054
Service and others	1,006	925	1,758	2,255	2,553	3,216	15,590
Real estate and branch offices	153	210	110	149	200	221	2,583
Total	4,995	4,693	8,931	7,703	8,145	10,155	71,431

Figures based on investments notified to Japanese government.
Cumulative: fiscal 1951 to fiscal 1984.

Siberia deal for Snamprogetti

BY JAMES BUXTON IN ROME

SNAMPROGETTI, THE engineering and contracting subsidiary of ENI, the Italian state-owned energy group, is to instal in Siberia e system for the transport of coal by pipeline from pithead to power station.

It has obtained e contract worth about L100bn (£38m) from Technomashimport of the Soviet Union to construct a coal transport system between Belovo coalfield and Novosibirsk in Siberia.

The total investment on the part of the Soviet Union is in excess of L500bn, and the project should be completed in 36 months.

Snamprogetti has developed and patented a system called Reocarb which entails breaking down coal into small pieces, mixing it with water and a small dose of an additive agent, and moving it by pipeline to the power station.

At the power station, the coal water slurry is burnt without further treatment.

Snamprogetti says its system, of which only prototypes have so far been constructed, is the most advanced of its kind, and the company hopes to win other orders both in the Soviet Union and elsewhere.

It says that the Reocarb system solves both major problems associated with coal—transport and coal dust pollution.

Snamprogetti will provide the technology under licence, and will also supply the principal equipment and the combustion system. It will be capable of shifting 3m tonnes of coal a year through e 260-km pipeline the diameter of which will be 530 mm.

Under the Reocarb system, a coal-water slurry consisting 70-75 per eent of coal is created. The slurry can then be pumped and even stored in tanks, and the system can be used for a wide range of types of coal and coke.

Asea wins SKr 1.5bn order

BY DAVID BROWN IN STOCKHOLM

ASEA, THE Swedish electrical engineering, electronics and diversified industrial group, has wo nan order worth SKr 1.5bn (£130m) to supply the Norwegian Defence Ministry with 2,000 tracked all-terrain vehicles and spare parts for delivery over a four-year period, starting in 1987.

The contract is the largest export order for Asea's subsidiary, Hägglund & Söner, and corresponds to some two years' production, a spokesman said.

Hägglund & Söner is to counter - purchase some SKr 600m-worth of sub-contracted parts from Norwegian industries under an offset protocol governing military sales between Stockholm and Oslo.

It has already signed an SKr 100m contract with Viking/Mjöndalen for rubber tracks to be used in the BV206 troop and equipment transporter. It is also negotiating on joint development and production of o gun-turret with Kongsbergs Vapenfabrik, a spokesman said.

Its articulated BV206, introduced in 1983, is in service with the Swedish military. Although primarily designed for military purposes, the vehicles also have civil applications and are not classified as "military equipment" under Swedish law. This eases export sales.

Other major customers are the U.S., UK, West German, and French defence ministries.

Hägglund & Söner, which has annual sales of some SKr 1.42bn, also sells deck cranes, tanks, mining and contracting equipment, railway vehicles and hydraulics.

HK rejects Dragonair flights plan

THE HONG KONG Government has rejected an application by a Hong Kong airline, heavily financed by China, to operate charter flights from the British colony to Peking and Shanghai, the Hong Kong Civil Aviation Department said yesterday, AP reports from Hong Kong.

Dragonair, a subsidiary of Hong Kong Macao International Investment Co., had planned to operate twice-daily charter flights to Peking and one daily flight to Shanghai, a department statement said.

The statement acknowledged that scheduled services to Peking and Shanghai do not meet public demand, but noted that non-scheduled flights are generally approved to supplement the service.

The statement added that efforts have been made to reach agreement with Chinese aeronautical authorities to allow the Hong Kong-based Cathay Pacific Airways to operate additional flights to Shanghai and to start scheduled flights to Peking.

Dragonair's chief executive, Mr Stephen Miller, described the departmental rejection as "unfair and discriminatory."

Mr Miller said his company was prepared to take "whatever action which may be necessary to protect its interests."

Disputes code agreed at Sanyo

A CODE of practice has been agreed between Sanyo and the electricians' union, the EETPU, which builds in to the no-strike agreement at the company's Lowestoft plant a provision for balloting on any management and union proposals to end disputes.

The code, agreed last month, is aimed at providing a stable basis for future negotiations after a breakdown in relations between the union and the company at the plant over a wage dispute earlier this year.

The code lays down that, at the final stage of negotiations within the joint negotiating committee, the parties will attempt to resolve by negotiation any remaining differences to the point where the union will recommend acceptance of the proposals and hold a ballot of its members.

If no agreement is found in the committee, however, the union would be given facilities to organise a ballot. Once the code of practice has been exhausted without agreement, both sides are free to put their case to an arbitrator.

The code of practice gives a new dimension to the Sanyo "no-strike" agreement of the kind pioneered by the EETPU and under heavy criticism from unions on the left of the movement.

□ **SUN OIL**'s British subsidiary has raised credits of $70m to fund its share of a North Sea gas project of which Atlantic Richfield (Arco) is to be the operator.

The credits, raised equally from National Westminster Bank and Bankers' Trust, are to finance Sun Oil's 23.33 per cent holding in the Thames Development Project in the southern basin block.

The project, regarded as a minor one in North Sea terms, is expected to cost just over £200m to develop. It has an estimated 450bn cu feet of reserves, which are expected to begin flowing late next year. Thames is adjacent to the Leman gas field in which Sun also holds an equity.

□ **FALLING DEMAND** for cable television services has resulted in substantial cutbacks at Greenwich Cable Communications in London.

The company, which is quoted on the unlisted securities market, has halved its staff, abandoned its local television and radio production and started looking at ways of raising further funds.

The loss-making group said: "In common with the whole of the cable television industry, Greenwich Cablevision has suffered a continuing and substantial loss of subscribers during the spring and summer months."

□ **A MEETING** of creditors of Mr Ron Shuck, the former property developer, has been told that he has debts of over £4m and assets of only £130,000.

Mr Shuck ran the Espley Tyas group which went into liquidation last April with total liabilities of about £48m. His creditors include Barclays Bank, National Westminster, the Midland, Lloyds and William and Glyns.

□ **STC**, the telecommunications and computer company, is to lose the services of Mr E. S. Newman, an executive director who will leave the board in September. He is understood to have been in poor health for some time. Sir Kenneth Corfield, chairman, resigned earlier this month after mounting criticism of the company's performance on the City of London.

□ **BRITISH AIRWAYS** is to spend £35m during the winter of 1986-87 in modifications to its long-haul Lockheed TriStar jets to improve their cargo-carrying capacity.

The changes will increase the aircraft's cargo capacity from seven tonnes to over 12 and enable the airline to earn an additional £10m a year in revenue.

Output flattens but growth 'still on 3½% target'

BY PHILIP STEPHENS

THE PACE of Britain's economic recovery appeared to slacken in the three months to June but output was still well above the level in the same period of last year.

The Central Statistical Office said yesterday that the output measure of gross domestic product (GDP) rose 0.6 per cent in the second quarter of 1985, after a much stronger 1.5 per cent increase in the three months to March.

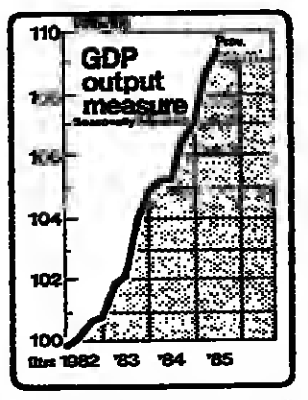
Adjusted for the miners' strike, output was flat between the two quarters. The dispute had only a minimal impact in the three months to June, while it depressed output by about 1 per cent in the first three months of the year.

Almost all of the recorded growth in the second quarter was in the production industries, largely reflecting a 6 per cent increase in energy and water supply and, particularly, the recovery in coal output.

The figures show that, compared with the second quarter of 1984, output was nearly 4 per cent higher in the latest three-month period, although about 1 percentage point of that was attributable to the bounce back from the miners' strike which ended in March.

The flat performance in the latest three months is likely to strengthen calls from industry for early government action to bring down interest rates and to engineer some depreciation in the pound's value against other European currencies.

The Confederation of British Industry, after beginning the year extremely optimistic over the outlook for growth, has recently voiced concern that sterling's appreciation and the high level of borrowing costs could seriously damage the recovery.



The view in Whitehall yesterday was that the economy remained on target to achieve 3.5 per cent growth this year, in line with the Treasury's budget forecast last March.

Officials said that quarterly movements in the output measure of GDP were frequently erratic and often at variance with the other measures of activity – incomes and expenditure. These would not be available until late next month.

On the basis of six-monthly data, output has been rising exactly in line with the official forecast.

There is likely to be some anxiety in the Treasury over tha outlook for growth next year if interest rates remain close to their present levels. The budget predicted output rising by an annual 2½ per cent in the first half of 1986, but that was before the sharp rise in the value of the pound.

Trafalgar declares interest in Vosper Thorneycroft shipyard

BY LYNTON McLAIN

LAZARD BROTHERS, the merchant bank, expects to receive final sealed bids for Vosper Thorneycroft, the Southampton shipyard, by the middle or end of next month in a further move towards the privatisation of British Shipbuilders' warship yards.

At about the same time the bank hopes to issue the initial memorandum for sale of the Vickers Shipbuilding and Engineering company, which will be sold by the Government with Cammell Laird, the Birkenhead warship yard.

Only one company, Trafalgar House, yesterday declared its interest in Vosper Thorneycroft. "We have certainly looked at Vosper, but we cannot say whether or not Trafalgar House wants to bid for the company," a company official said. The management of Vosper Thorneycroft is also understood to be prepared to bid for their yard.

Trafalgar House made an unsuccessful bid against GEC for the Yarrow warship yard but did not bid for the Hall, Russell yard at Aberdeen.

The initial deadline for companies, individuals or organisations to express a firm intention to bid for Vosper Thorneycroft expired last Friday.

GEC, the UK engineering and electronics group which bought the Yarrow warship yard on the Clyde earlier this summer in the biggest warship privatisatioo so far, has decided not to bid for Vosper Thorneycroft. GEC received the memorandum for sale of the Vosper yard but did not request further confidential information about the company.

"I was never in the hunt for Vosper Thorneycroft," Mr Malcolm Bates, deputy managing director of GEC, said yesterday. "I have already written to Lazard Brothers to say we are not interested in Vospers." The company wants to be kept informed about other sales, but it was too early to say what else GEC might be interested in, the company said.

The Government received a total of £34m arising from the sale of Yarrow to GEC, Mr Norman Tebbit, the Trade and Industry Secretary, told MPs in March. The statement was made months before GEC had formally signed the contract for the sale of Yarrow.

Lazard Brothers is having difficulty finding a buyer for Hall, Russell, which makes small, specialised vessels such as salvage tugs for the Ministry of Defence.

The bank is, however, preparing for activity in the warship privatisation programme to step up considerably next month. It expects to have sold Vosper Thorneycroft, Hall, Russell and Swan Hunter, the large warship yard on the Tyne, by the end of October. Talks are under way with unnamed interested parties about the sale of Swan Hunter, where the management has indicated a willingness to bid for the yard.

BL unions told of job losses

BY OUR MIDLANDS CORRESPONDENT

AUSTIN ROVER, BL's volume cars company, told union leaders yesterday that planned cuts in production will throw up a surplus of 940 workers. Most of these, will be retained, thus limiting job losses at Longbridge, Birmingham, to about 200.

Production schedules on the Metro, Maestro and Montego models are being reduced by around 10 per cent from next month in order to reduce stocks. The company blames the move oo the distortions to the market caused by the new August registration prefix, which concentrates about 20 per cent of annual UK sales into just one month.

Austin Rover confirmed last night that it is also considering at least a one-week layoff of its 28,000 manual workers by extending the September holiday break into the first week of October. While Austin Rover output climbed by nearly 60,000 to 257,000 in the first half of this year, sales so far are only marginally up on last year.

Cutbacks on Maestro and Montego output at Cowley, Oxford, will create a surplus of 600 workers. The company said most of these employees would be redeployed, the majority on the build-up of production of the XX, the new executive car scheduled to be launched next summer.

The slow down of Metro assembly at Longbridge will affect 340 workers, but the company is seeking only up to 200 volunteers for redundancy. Mr Jack Adams, the Longbridge convenor, said shop stewards would be putting an alternative plan to the management tomorrow in an effort to avoid redundancies.

Canning pays £2m to acquire U.S. dental laboratories

BY ARTHUR SMITH, MIDLANDS CORRESPONDENT

W. CANNING, until recently a traditional Birmingham engineering company, yesterday announced a U.S. acquisition that it claims will make it the largest laboratory business in the world.

Overnight, Canning will have as many employees in the U.S. as its 900 in the UK. Turnover of about £60m a year will increase by £28m with the purchase, for less than £2m, of much of the Denticon division of Sybron, a big U.S. corporation. Canning is acquiring dental laboratories in 27 locations.

Mr David Probert, chief executive of Canning, said last night that although it would have only 3 per cent of the fragmented U.S. market, it would still be the largest operator and in a strong position to pursue growth.

W. Canning, which this year celebrates its bicentenary, has undergone dramatic restructuring since recession hit the West Midlands in 1979.

Some 1,600 jnbs have been axed as the company has closed factories and moved out of the manufacture of process plant and engineering to concentrate upon expansion in higher added-value chemicals, metals and electronics.

Canning has sought acquisitions in continental Europe and the U.S. to compensate for the decline of its traditional UK manufacturing base. Mr Probert stated: "We have to seek expansion overseas. We now sell more chemicals to the bicycle industry in Bangladesh than to the bicycle industry io the UK."

Mr Probert pointed to the logic of the U.S. move: that the dental industry would use the chemicals, products and metals supplied by Canning's UK operation.

Equally, the waste from the industry from gold and metal fillings would provide the raw material to feed John Betts Refiners, a Canning subsidiary iovolved in the recovery of precious metals.

Mr Probert, a 47-year-old accountant, took over the top job at Canning just before the onset of recession in 1979. He pulled out of process plant and engineering, closed old factories and cut the labour force from 2,500 to 900. Growth is now focused upon the three high added-value core activities: chemicals, metals and electronics.

Turnover fell from more than £62m in 1980 to £47m last year, but pretax profit climbed from £1.63m to £1.94m.

Recent purchases include Euromega, a Paris-based distributor of electronic components, io which Canning took an 80 per cent stake last December.

It was io November last year that Canning moved into the U.S. health care market by buying two dental laboratories selling to dentists in the New Jersey and New York areas.

Mr Probert pointed to the economy of visiting dental practices both to deliver new products and collect the waste for Betts Refiners. "We also found that we liked the management we acquired and the markets we were dealing in."

Repeated trips to the U.S. an detailed market research by Mr Probert led to yesterday's announcement. He will be travelling to the U.S. next week to supervise rationalisation of the acquisition – "to chop out the loss-makers."

Mr Probert said the quality and management of each of the centres would be crucial.

Production stops of Enterprise computer

FINANCIAL TIMES REPORTER

PRODUCTION of the Enterprise home computer has ceased. Welwyn Electronics, a subsidiary of Crystalate Holdings, which was the sub-contractor making the Enterprise home computer at Bedlington, Northumberland, announced the end of production yesterday.

At one time, Welwyn Electronics expected substantial orders to make the much-delayed Enterprise computer and announced that a number of new jobs would result from the product. Yesterday it said that a bank guarantee placed with Welwyn Electronics had ensured that there was no financial loss to Crystalate.

"Job dislocation will be minimal and production staff have been transferred to other assembly work," the company said. "Welwyn Electronic Systems is commissioning an additional 85,000 sq ft factory at Blyth, which will initially employ 250 people, to cope with increased assembly work on existing contracts."

● The main creditors and bankers of Sinclair Research held a meeting with the troubled home computer group late yesterday to hear details of the company's plans.

The company had already given individual companies information last week and was thought to have been seeking their general approval last night.

Strong pound expected to squeeze profits

BY PHILIP STEPHENS

BRITISH COMPANIES can no longer rely on a steady boost to profits from a falling exchange rate, and any further improvement in industry's rate of return will depend on a much better productivity performance, according to a new City of London study.

The analysis, from broker Phillips & Drew, suggests that after a brief respite over the next few months the recent appreciation in sterling's value will again put strong downward pressure on corporate profits in the first half of 1986.

Temporary respite will result from the beneficial impact on import costs of a strong pound. Overall, however, the broker suggests that a 10 per cent rise in the exchange rate reduces profits by 4 per cent in the first year and a further 4 per cent in the second.

The pound has appreciated by about 17 per cent since hitting its low-point of the year in February, undercutting the competitiveness of British companies on both the domestic and international markets.

Phillips & Drew says that the sterling index, at present standing at about 82 (1975=100), would have to fall to 70 or less in order to offset the adverse effect of the pound's present strength on profits growth.

A fall of that size, however, would run counter to the Government's anti-inflation policy, especially in view of the upward trend of pay settlements.

Instead, the broker argues, tha Government would probably accept only a much smaller depreciation. This would be insufficient to reverse the downward pressure on profits.

Abbott lobbies health officials over its kits to test for Aids

BY PETER MARSH

ABBOTT Laboratories, a major U.S. pharmaceuticals company, is lobbying U.K. government officials and doctors in an attempt to change the Department of Health's stance on the company's technique to test blood supplies for Aids (acquired immune deficiency syndrome).

Abbott thinks it could be cut off from supplying Aids tests to Britain – a business that could be worth £5m–£10m annually – on the basis of what it says were misleading results from an evaluation carried out by the department.

The Chicago-based company, which has annual sales of $3.4bn and is the world's biggest enterprise in diagnostic medical techniques, last week sent Dr Derek Bonewitz, one of its senior scientists, to explain its case on Aids testing to department officials.

Io an attempt to put further pressure on the UK Government, Abbott is lobbying leading physicians around the country and is organising it own set of trials on Aids testing at one of England's 14 regional health authorities.

The efforts by Abbott show the importance with which the health care industry regards the market for testing for Aids, a disease that has killed several thousand people in the U.S. and about 100 in Britain.

In the past year Abbott has built up a dominant position in supplying simple-to-use kits that spot Aids antibodies. The company has sold about 1m Aids kits, each costing £1–£2, mainly in the U.S. It is stepping up efforts to supply the kits in Europe.

Aids, which is spread by contaminated blood and so far has affected mainly homosexuals, haemophiliacs and drug abusers, gradually destroys the body's resistance to diseases such as cancer.

In attempts to stop the spread of Aids through donated blood, most West European countries are introducing tests for Aids antibodies at transfusion clinics. Diagnostic kits of this kind were introduced in the U.S. in March.

From October, the UK Department of Health plans to begin testing all the 2.2m pints of blood donated each year. The department is expected next month to advise health authorities on which of several commercial kits to buy. This will be on the basis of trials of rival kits at the chief reference laboratory of the public health laboratory service in Colindale, north London.

Three weeks ago the Department of Health announced that diagnostic kits made by Wellcome, a British company, and Organon of the Netherlands had emerged creditably from the first stage of trials of Colindale.

Other tests made by Abbott and two other U.S. companies – Litton and Electronucleonics – came out badly from the evaluation. Next month the Colindale laboratory plans further trials on a second batch of diagnostic kits, made by the Paris-based Pasteur Institute and Du Pont and Travenol, both of the U.S.

Abbott says it was "surprised and perplexed" by the results of the trials.

TECHNOLOGY

EDITED BY ALAN CANE

Rival paths to fulfilling a computer user's dream

Japan and Europe are taking different routes in the quest for computer compatibility, reports Alistair Guild

THE DREAM of computer users everywhere that one day their terminal would be able to talk to any other system is now closer to coming true.

Scientists in Europe and Japan are working on methods of allowing different computers to talk to each other. Both are based on the "open systems interconnection" (OSI) model, but their approaches to the problem are quite different.

In Europe, a consortium including Case Communications, of Watford has received EEC funding for developing network products which incorporate OSI standards and services.

In Japan, however, the main thrust is towards the creation of chips, possibly costing as little as $200, which will be incorporated into individual micro computers. So far this technology has been used in an adaptor that links terminals and facsimile machines.

According to Dr Peter Scott, head of the Natinnal Computing Centre's telecommunications division, there is ronm fnr hoth approaches because there are so many terminals wanting to talk to each other. Dr Scott recently returned from Japan where the adaptor was demnnstrated.

'The European objective is to enable any make of processor or terminal to communicate over any network'

He says: "It is partly a philosophical argument which functions ere best dealt with in networks and which in individual terminals."

Mr Richard Killick, Case's project manager is in no dnubt about the best approach. "Implementatinn within the network rather than at processor nr terminal level is the mnst cost-effective option for the user. It is also an attractive proposition for telephone authorities wishing to provide these services within their networks. It is difficult to see how the emerging standards for network management can be implemented in any nther way.

"Because they are still evolving, putting the whole thing in a chip could limit your ability to change the software to adapt to any country's telephnne network standard, for example."

The European objective, he says, is to devise products that enable virtually any make of processor or terminal device to communicate over any network, puhlic or private, national or international. And these networks could contain within them many separate, private corporate networks, managed individually or collectively.

The two-year project, which is receiving 5m European Currency Units from the ESPRIT fund, for infnrmation technology, will involve both hardware and software development. The other partners are RC Computers, a leading Danish manufacturer of minicomputers and personal computers, which has also supplied packet switches, primarily to the Danish PTTs and Fischer and Lorenz, overall project co-ordinators and a consultancy with particular OSI expertise. It has already prodnced the EEC tutorial document on the upper levels of the OSI models and sits on the standards committee.

A third partner is Sysware, a software house specialising in graphic systems, an increasingly critical element in the user interface to networking systems.

Case, which already manufactures a range of network products from modems to multiplexers, will be primarily involved in the development of an OSI packet assemhler and disassemhler. This will incorporate the fullest extent of the OSI model and reduce the present need for protocol converters, often necessary to transfer files between different systems.

"The future market for OSI networks is very much a worldwide one," says Mr Killick. "The EEC wants to foster OSI standards and make public procurement of information technology products dependent on meeting those standards. That way they can curtail the dominance of IBM. We also see major opportunities for OSI products in North America

The Japanese adaptor, which will also take another two years to develop, could pose a severe threat to that success once in chip form according to Dr Scott.

Its massive development costs will be offset initially in meeting the demand for micro computers that can talk to a new generation of facsimile terminals soon expected to supersede the large number of facsimile machines already in service. These terminals will accept both incoming pictures (facs) and text.

Even in its present form, the edaptor, connected to a micro via an RS 232 interface, permits communication at up to 4,800 bit/second over the pnblic telephone network. In "extended control" mode, it will also be able to implement teletext protocols. "This poses a considerable threat to the whole UK teletext industry, particularly as it operates at much higher speeds than teletext," says Dr Scott.

The Japanese, who are at present marketing the adaptor as a stand alone device plugging into the back of a terminal, do not yet use the full OSI protocols.

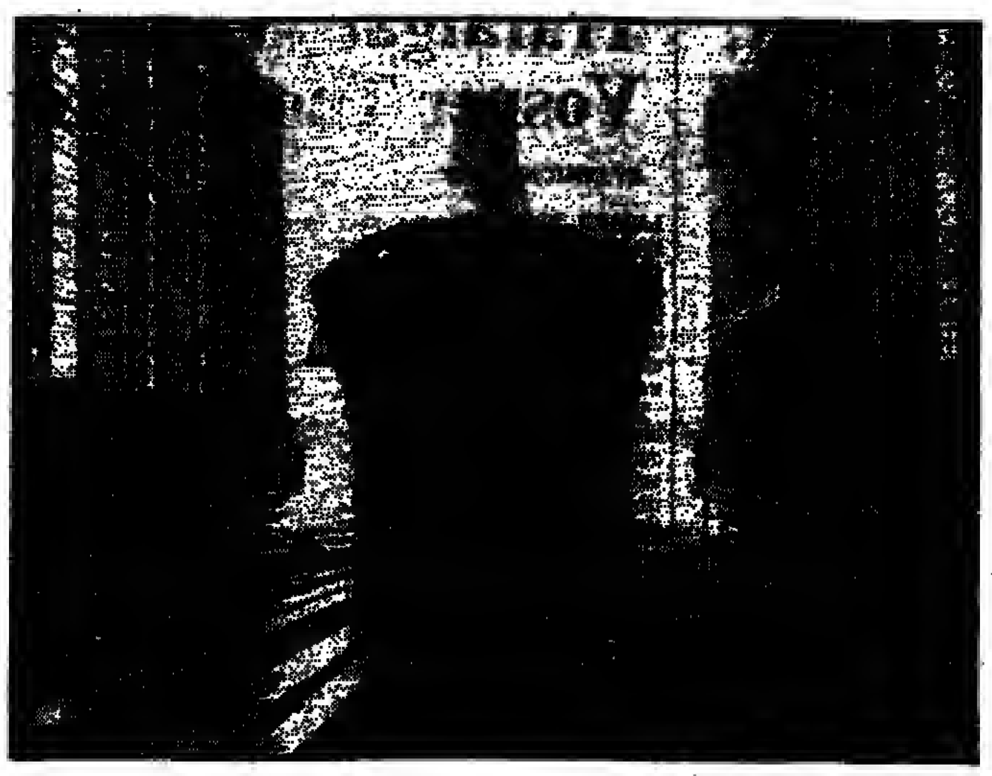
The European initiativa could also benefit from being designed for the packet switching network, which is both faster and cheaper than the public telephone network used by the Japanese technology.

'It is one more example of the fruitful way in which government and industry collaborate'

But Dr Scott's overall impression was that the device, demonstrated hy companies like Hitachi, Fujitsu, Canon, NEC, Toshiba, OKI and NTT, "could sweep the board. If Japanese manufacturers can implement the protocols and the modem on a chip and sell it for less than $200, it will be cheaper than most modems on the market today, yet offers so much more.

"It is one more example of the fruitful way in which government and industry in Japan collaborate."

The UK Department of Trade and Industry and the Treasury are at present discussing financing of proposed OSI projects, due to get underway in 1986-87.



Slipping ahead

WEST GERMAN engineers have come up with a new way to launch ships from slipways that could spell doom for the traditional method of sliding vessels into the water on a layer of grease and soap.

Richard Klinger, a company in Idstein, Germany, is selling sliding plates for slipways made from a material with the lowest coefficient of friction of all known solid substances.

The plates are fixed to a cradle on which the hull of the ship is constructed. The first slipway to use the plates is at a German shipyard in Lubeck-Travemunde (pictured left).

The sliding plates contain a polytetrafluoroethylene called Hostaflon. Hoechst, the German chemical company that makes it, says the technique could help to cut the costs of ship production.

The soap and grease layers conventionally used in slipways can sometimes cause problems. For instance, the layer may not be thick enough in places, causing damage as the vessel is launched.

Sliding plates have other uses too. They can help move structures weighing up to 15,000 tonnes in the construction business and in equipping offshore oil rigs. They have also proved useful in the erection of bridges and industrial plant.

In a further application, the plates can be permanently embedded in buildings to absorb movement during the life of the structure caused by heat expansion, vibration or settlement.

How video threatens TV's advertising revenue

Video & Film

BY JOHN CHITTOCK

COMMERCIAL television in Britain is not having a happy year. Apart from a poor start to 1985 in terms of advertising revenue, the ITV companies fear tha possibility of having to share the advertising cake with the BBC. Nnr are they happy abont new media technology.

The videocassette recorder has encouraged a habit that is unpopular with TV advertisers—the use of the fast forward button to skip commercial breaks. And the growth in the use of remote control TV switches—26 per cent of all receivers in the UK now have them—has made switching channels mnch easier; research suggests that penple with remote controllers change channels 70 per cent more often than those without.

Other developments which mean advertising cash is dispersed more widely—such as cable and satellite TV—have not been good news either, although some believe the spread of satellite TV into Europe unlocks advertising budgets not previously available.

There are, however, other trends which might be more harmful to ITV's revenue. More companies are showing interest in ways of achieving exposure without paying for conventional advertising slots. The availability of new delivery systems—from the video recorder to satellite television—has loosened the grip of ITV and the BBC. Any company wishing to reach 1m people on television is no longer at the mercy of a programme controller or an ITV rate card; there are other routes to reach a mass audience, cheaper and arguably more effective in certain circumstances.

The opportunities arise in tha UK because video recorders now exist in millions, not hundreds nf homes; cable television reaches tens of thousands and maybe millions soon; and some satellite services—such as Sky Channel—are making international audiences available. Sky's latest deal (in French-speaking Belgium) leads them to claim a potential audience of 4m—albeit little over half the video recorder population in the UK alone.

Sponsorship nbviously hovers in the wings when such opportunities are availahle, especially since these new outlets generally need as many programmes as possible at as little cost as possible. One of the latest plans for satellite TV in Europe for example is a business channel—provisionally named Executive—based on sponsorship plus advertising. The well-publicised lifestyla channels for UK cable rely on similar concepts, and there are now an increasing number of videocasette releases which—although carrying a price tag—owe their origins to sponsorship.

Another idea gaining favour is tha "your nama here" concept on prestigious programmes which are assured a wide international audience. The idea has been around for decades in the feature film business, and it is no accident that the latest James Bond film makes enthusiastic use of Philips electronic hardware. But it is now possible for a company to move up-market and have its name on the credits of television and video releases of opera and ballat productions.

It is video, in particular, which has provided the catalyst for change. The low cost of videocassette copies and the availability of large audiences has meant that editorial control of moving pictures is no longer the sole preserve of the hroadcasters or cinema chains. Videocassettes are becoming a credible alternative to advertising—as for exampla 5,500 copies despatched to shareholders by Currys in their fight against the Dixons takeover; a ploy also used in the recent Burton/Debenhams battle.

There are, however, new problems for industry now that technology has swept asida the political and editorial controls that existed with the traditional media. These problems are concerned with quality and credibility.

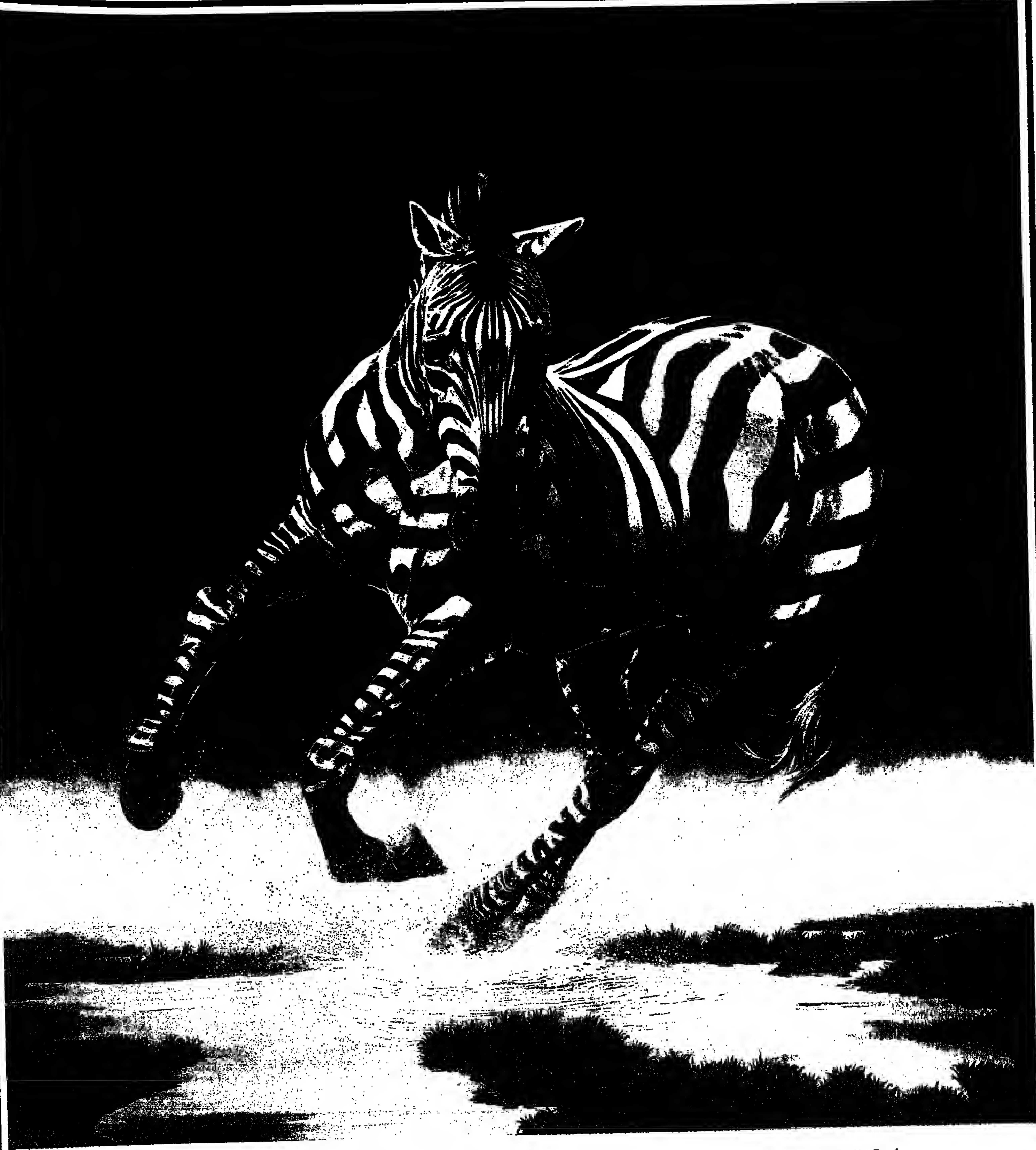
The sheer volume of television and video programming now being offered to viewers threatens to drive them into a state of electronic epilepsy. Against the highly principled editorial attitudes of the BBC and ITV, tha average sponsored programme lacks credibility—with its relentless determination to get a message across instead of allowing the viewer to form an opinion.

It may be rare to find a Government agency showing how it should be done, but this is precisely what the Central Office of Information has been doing for many years—especially with their science series Perspective. These 26-minute programmes—of which 13 are produced every year—have covered everything from computer technology in the aerospace industry to new discoveries in chemotherapy. They have a straight, objective style about them—very similar to the much admired BBC series Horizon—and in consequence have reached national television andiences in some 38 countries around the world and achieved a stature that belies their PR intention of projecting a scientific image of Britain.

The COI's task has not stopped at technology. Over the last five years, five films have been made and seen on overseas televisinn to present a balanced view of the Afghanistan war; and just a few weeks ago, the COI completed a documentary about life on the Falklands.

However, the COI's success should be a warning as well as an encouragement. Although the proliferation of new delivery systems now makes large audiences more accessible to sponsors at low costs, the bedazzlement with technology must give way to a greater concern for production quality; and concern for the intelligence and needs of those at tha receiving end. Viewers are becoming more discriminating, as are the distributors who nonetheless want cheap or free programmes.

The computer industry found it necessary to create the aphorism "garhage in, garbage out." The time is nigh for the media business to discover that a programme paid for is not necessarily a programme watched.



THE MANAGEMENT PAGE: Small Business

EDITED BY CHRISTOPHER LORENZ

More competition in defence contracts

THE UNION of Independent Companies has received a "very positive response" from Ministry of Defence officials to its proposals for making it easier for small businesses to win a greater share of Britain's annual £8bn weapons procurement programme.

Bill Poeton, president of the UIC, led a delegation in April to Adam Butler, Minister for Defence Procurement, and Michael Grylls, chairman of the Conservative back bench Industry Committee, calling for prime contractors to make public information on the costs of components they buy from subcontractors.

Poeton presented a report suggesting that the MOD should adopt the U.S. practice of compelling contractors to put out components to competitive tender, rather than relying on favoured suppliers, and that the Ministry should press other European governments to do the same.

The report, commissioned by Butler ond the Conservative Small Business Bureau, of which Grylls is chairman, was prepared by Poeton with a consultant from occountants Peat, Marwick, Mitchell and an MOD official. It has now been passed to senior cabinet ministers. It is understood that Michael Heseltine, the Defence Secretary, is impressed and that the Ministry is considering whether to run trials on selected contracts later this year.

The key to the argument, says Grylls, is that breaking out subcontracts more widely could save money as well as give small businesses a greater slice of the action. He cites as evidence figures from the U.S. Small Business Administration, showing how one airforce base achieved savings of up to 90 per cent — though more commonly 40-50 per cent — by asking prime contractors to put out components to competitive tender.

Poeton adds: "Because of the concentration of purchasing in the hands of a few prime contractors, there is a danger that the European defence industry is pricing itself out of business."

The MOD does not discriminate for or against small businesses in procurement, though 10 per cent by value of its directly placed contracts do go to companies employing up to 200 people. It does, however, insist on examining major suppliers' plans for putting out parts of their work for competitive bidding by sub-contractors.

W. D.

A market-place for the entrepreneur

BUSINESS in the Community is examining ways of launching nationally a scheme to allow jobless youngsters to demonstrate their entrepreneurial ideas in public.

BIC, the umbrella group for Britain's more than 200 enterprise agencies, is one of the organisers of the recent Work for Yourself Fair held in London's Covent Garden Piazza. The event, sponsored by Legal and General Assurance, attracted 98 small ventures, most of which were clients of Project Fullemploy, the charity devoted to offering business training to young unemployed people in inner cities.

Greater London Council gave them a day's free use of the stalls in the Piazza, for which there is normally a four-year waiting list. The participants, some of whom travelled from as far afield as Birmingham and Newcastle-upon-Tyne included a colourful array of enterprises, even if some were of varying quality. The more busy ventures ranged from a Caribbean caterer to retailers of sportswear, cosmetics and designer furniture, providing exotic evidence that small business at the smallest level is alive and well.

For many, the opportunity brought a revealing independent test of their business ideas. R. M. Sports, for instance, a sportswear retailer which had been refused finance by several banks, ended up by taking more than £500. Less lucky was a maker of electronic sound systems, who had to pack up shop when he was told that no electronic music was allowed.

Most stallholders, however, came away with a profit, according to BIC's Kathy Ashton, who says that the response was so enthusiastic that BIC is now planning to circulate the idea to local enterprise agencies in all major cities.

W. D.

Joint venture

How to play the partnership game

BY WILLIAM DAWKINS

ASK ANY small businessman how he rates his chances of entering into a joint venture with a larger company on equal terms, and the chances are that the answer will be low.

Equality cannot be possible, he might argue, when the stakes are likely to be far higher for him than for the larger partner. If the project fails, the small business risks being unceremoniously dumped, and if all works out well, it runs the danger of becoming an unwilling takeover target for the larger company. Either way, the benefits of being linked to a powerful name carry high risks.

Ask the same question of Peter Smith, 39-year-old joint managing director of Phosphor Products Company (PPC), the small partner in a three-way co-operation agreement with TI Group, the UK engineering company, and the Ministry of Defence (MOD), and the answer will be very different.

"There is no question that we are equal contributors," says Smith. "Neither party could do what we are doing independently"— a point with which Michael Pym, 48, corporate technical planner for TI, agrees.

PPC, o Dorset-based maker of flat screen luminescent displays with 67 staff, has been working happily for three years with TI Research Laboratories developing a technology which they are in the process of licensing to the $1bn world electronic display market.

PPC's experiences show how a small company in partnership with a large one can keep its end up by maintaining a close relationship in some areas, but by keeping strictly at arms' length in others.

The technology they have developed—no product uses it yet—enables a flat sheet of glass to display information in any format while at the same time accepting instructons through more than 100 invisible touch sensitive switches hidden in its surface. "It's like intelligent glass," says Pym.

One application might be computers, where the operator could throw away his bulky television screen and keyboard and have data display and entry on a single flat screen about the size and shape of a desk diary. Others include process control instrumentation, electrical appliances, scientific instruments and vending machines.

Larger companies like Sharp and Honeywell have found different ways of doing similar things, though TI and PPC claim that their technology is the cheapest and most efficient in a newly emerging field.

The joint venture is still some way from striking it rich, even if seven or eight U.S. and Japanese corporations—but no British groups — have shown strong interest in buying licenses. However, the project is credible enough for Smith to have raised £1m last year from a consortium of institutional and private investors in return for 26 per cent of PPC's equity.

It is revealing that TI contributed nothing to PPC's fund-raising, despite the increased control it might have won by purchasing a stake in the company. Pym believes that it is in both partners' best interests that PPC keeps its independent ownership. "Independence means that decisions at their end have to be pretty sharp because if they get it wrong, they are not going to live," he says.

Smith adds: "We are not for sale. In any case, the relationship is so close that there would be no point in TI buying PPC." As a mark of that closeness, Pym and Smith spend on average a day a week in each other's offices, while Smith's staff float freely between their own headquarters and the TI laboratories in Saffron Walden.

Smith pays the same rate as TI subsidiaries for any marketing, patenting or technical advice he takes from the group, and the agreement allows for licensing income to be split equally between the three partners. Any conflicts between the partners are handled by John Spreadborough, a former director of Wilkinson Sword who was originally hired as a consultant by TI but now, as an impartial arbiter, is paid by both of the industrial partners.

Michael Pym (left) of TI and Peter Smith of PPC: "There is no question that we are equal contributors"

PPC, meanwhile, has been careful not to allow the project to dominate its other activities making luminescent displays for the defence, electronics and telecommunications industries and undertaking development contracts in phosphor display technology.

Only a small proportion of last year's £115,489 pre-tax profits was related to the TI project. If PPC is overdependent on anybody, it is British Telecom, which uses the displays in its telephone exchanges and accounted for more than half of last year's sale of £1.38m.

Even so, 30 per cent of PPC's turnover goes into research and development, an unusually high proportion which at least partly reflects the costs of the joint venture. Smith freely admits that one of the reasons for last year's fund raising was to keep PPC's contribution to the project—£50,000 to £100,000 annually—in balance with that of TI. Pym will say no more than TI has committed "significant resources" to the venture.

PPC was originally set up by four research scientists at Thames Polytechnic as a part-time contract development group, working in a garage in South London. They turned it into a full-time business 10 years ago on the strength of growing interest in their display technology from Ford, Smiths Industries and the MoD, among others.

Hamworthy industrial estate in Dorset was their chosen base because, maintains Smith, it was the only site in the south of England at the time where they could rent a factory small enough—800 sq ft—to afford. The technology for PPC's latest display panel had its origins in a £12,000 contract for the MoD, which later allowed PPC to take the world licence in return for royalties.

TI approached PPC in 1977 to make a luminescent display panel for washing machines, to which it added its own touch switch. The product — which used a fixed rather than changing display as in their present device — worked, but TI's market researches later indicated that housewives would rather stick to ordinary kinds of switches.

As a result, TI shelved the project until 1980, when it began to look for licences for products developed by its research laboratories but which had proved unsuitable for its own purposes. Spreadborough, who used to run Wilkinson Sword's research and development division, was recruited to spearhead the licensing programme.

The agreement took more than a year to negotiate with the MoD, but by late 1982 the partners were ready to start offering licences to 25 British companies which they identified as possibilities but none of which showed a glimmer of interest. Smith and Pym accordingly took their wares to the U.S., where they have together travelled more than 120,000 miles over the past two years. They were struck by the contrasting reactions they received from companies on different sides of the Atlantic. "In the UK, we tended to be seen by technical people at a lower level, who were non-decision makers, but in the U.S., there was no trouble in going right to the top," says Pym.

Progress has been slow because potential licensees are only willing to use the TI-PPC technology if somebody else can be persuaded to make the panels in bulk—and that means setting up a plant for a product which has yet to be tested in the market.

PPC is clearly too small to take that risk, and TI is cautious about manufacturing outside its mainstream engineering activities, especially at a time when its troubled non-core businesses are taking up a disproportionate amount of management attention. Pym is giving nothing away on that front. He will only say: "We are studying the situation very carefully."

In brief . . .

SMALL business managers who have run their companies by instinct but now find that they need a more systematic approach are the target for a training programme starting next month at Middlesex Business School.

Action Learning for Managers, which runs from September 7 through to next March, is intended for executives from businesses employing up to 100 people. It will include 15 fortnightly three-hour sessions at the school in Hendon, with opportunities for participants to visit each other's companies so that they can learn from their shared experiences.

Business school staff will offer individual advice and conduct a half-day review of each participant's business at the end of the programme. The school says the course should enable managers to set up a plan to overcome hurdles to expansion and move systematically towards achieving their objectives while monitoring progress.

Applications for the £120 course should be sent to Consultancy Services Organisation, Middlesex Polytechnic, Bounds Green Road, London N11 2NQ. Tel 01-368 1299.

●

"CHOOSING the Right Computer" is the title of an afternoon seminar to be held at the London Chamber of Commerce and Industry (LCCI) on September 24.

The seminar, organised by the LCCI with 3i Consultants, will examine the approach that a purchaser should consider when buying a computer or word processor for business use and highlight some of the common pitfalls.

Tickets cost £46 for LCCI members, or £57.50 for non-members. Details from the LCCI at 69 Cannon Street, London EC4N 5AB. Telephone 01-248 4444.

●

THE pros and cons of incorporating your business as a limited company are explained in a free booklet by chartered accountants Pannell Kerr Forster.

Entitled Incorporating a Business, the guide is available from Jonathan Hills, Pannell Kerr Forster, New Garden House, 78 Hatton Garden, London EC1N 8JA, telephone 01-831 7393.

●

THE first enterprise agency to specialise in helping Afro-Caribbean businesses is to open next year with £250,000 backing from the Home Office, the London Borough of Lewisham and private sector sponsors.

Deptford Business Enterprise Agency will offer advice, training, grants and loans chiefly to Afro-Caribbean businesses, though it wil also be open to people of all races. Its private sponsors include National Westminster Bank, Citibank and Allied Lyons. The Home Office has primised to support the agency for two years, and additional sponsorship is to come from the Department of the Environment and the Department of Trade and Industry.

●

THE number of shops in Britain more than halved to 233,000 in the 10 years to 1982 as the big multiples grew even bigger — a depressing statistic for anybody thinking of setting up as a small retailer.

Nevertheless, there are still many profitable opportunities for small shopkeepers sharp enough to spot the right locations and sell products which their larger competitors ignore. "The secret lies in either location or specialisation and lots of hard work," advises Roger Cox, author of Running Your Own Shop, the latest book in the Kogan Page working for yourself series.

Cox, a former marketing manager for J. Sainsbury, offers practical information on matters such as raising capital, legal requirements, buying, stock management, selling, employing staff, accounts, pricing and marketing. Frequent checklists provide useful reference points, and an appendix includes lists of trade association addresses and average mark-ups by product.

Running Your Own Shop is available for £4.95 from Kogan Page, 120 Pentonville Road, London N1.

●

LEEDS Polytechnic is to hold a two-day course on September 16-18 to inform students and managers about the problems involved in running and starting a small business.

Entitled Insight into Entrepreneurship, the course costs £25 for students or £300 for managers and is sponsored by chartered accountants Spicer and Pegler. Details from Martyn Robertson, senior lecturer, Leeds Polytechnic, 5 Queen Square, Leeds LS2 8AF, Tel 0532 39726.

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Axminster Carpet Manufacturer
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Company Notices

GESTETNER HOLDINGS PLC

On 18th July 1985, the directors declared an interim dividend payable on 11th September 1985 in respect of the financial period ending 2nd November 1985 of 0.5p per share on the Ordinary shares and 0.07p per share on Ordinary Capital shares registered at the close of business on 9th August 1985.

In addition, holders of Ordinary Capital shares are reminded of their entitlement to scrip in accordance with the formula set out in the Company's Articles of Association. Such entitlement, based upon each Ordinary Capital share held at 9th August 1985, is set out below:

	Ordinary Capital shares
Based on the average price of	108.5882p
For each share held, holders will receive	0.005657 of a share

Fractions of new shares will be sold for the benefit of the Company.

Scrip will be allotted on 23rd August 1985 and despatched to registered shareholders on 20th September 1985. Holders of bearer shares should lodge coupon 121 with Barclays Bank PLC (Securities Services Department) 54 Lombard Street, London EC3P 3AH. Ordinary shareholders should lodge three clear days before 11th September 1985 for dividend. Ordinary capital shareholders should lodge (with allotment instructions) on or after 11th September 1985 for dividend and new Ordinary Capital shares.

R. L. E. LEWIS
Secretary

London N17 9LT
21st August 1985

NOTICE OF REDEMPTION OF CERTAIN DEBENTURES OF NICOR OVERSEAS FINANCE N.V.
DESIGNATED "14% SUBORDINATED DEBENTURES DUE MAY 1, 1995"

NOTICE IS HEREBY GIVEN that NICOR Overseas Finance N.V., a Netherlands Antilles corporation, (the "Company") and a wholly owned subsidiary of NICOR Inc., an Illinois corporation, has elected to redeem and will redeem all of the outstanding 14% Subordinated Debentures due May 1, 1995 (the "14% Subordinated Debentures") of the Company as follows:

1. The Redemption Date is September 30, 1985.
2. The Redemption Price is 105% of the principal amount of the 14% Subordinated Debentures.
3. All of the 14% Subordinated Debentures will be redeemed.
4. On the Redemption Date the Redemption Price of $1,050 plus accrued interest from May 1, 1985 to September 30, 1985 of $57.94 will become due and payable for each $1,000 face amount of the 14% Subordinated Debentures and interest thereon shall cease to accrue on and after the Redemption Date.
5. The 14% Subordinated Debentures may be surrendered with all coupons maturing after the Redemption Date attached for payment at:
a. Continental Bank International, One Liberty Plaza, New York, New York 10006.
b. Continental Bank, 30 North LaSalle Street, Chicago, Illinois 60697, Attention: Corporate Trust Operations, 19th floor.
c. Continental Bank S.A., 227 Rue de la Loi, 1040 Brussels, Belgium.
d. Continental Bank Branch, 162 Queen Victoria Street, London EC4V 4BS, England.
e. Continental Bank Branch, 10 Avenue Montaigne, 75008 Paris.
f. Continental Bank Branch, Bockenheimer Landstrasse 24, 6000 Frankfurt/Main, West Germany, Federal Republic of Germany.
g. State Street Bank (Switzerland), Bahnhofstrasse 18, P.O. Box 5053, CH8022 Zurich, Switzerland.
h. Banque Internationale a Luxembourg S.A., 2 Boulevard Royale, Luxembourg, Luxembourg.

Dated: August 20th, 1985 in London, England.

NICOR OVERSEAS FINANCE N.V.
By: Schuyler K. Henderson
Attorney-in-fact

SAVE & PROSPER FAR EASTERN FUND S.A.

Shareholders are hereby informed that:

1. The Directors are pleased to announce that the Fund will pay a dividend of U.S.$0.10 per share in respect of the year ended 30th June 1985. In order to receive the dividend payable on bearer shares, holders of such shares must submit Dividend Coupon No. 3 to the office of the Administrator, Save & Prosper (Jersey) Limited, P.O. Box 73, 45 La Motte Street, St. Helier, Jersey, Channel Islands, or to either of the designated agents of the Fund listed below:
a) The Bank of N. T. Butterfield & Son Limited, Hamilton, Bermuda.
b) The Hongkong and Shanghai Banking Corporation, 99 Bishopsgate, London.
Payment of dividends against presentation or tender of dividend coupons will constitute absolute proof of the discharge of the Fund from its liability therefor.
2. The fifteenth Annual Ordinary Meeting of Shareholders will be held at Thirty Cedar Avenue, Hamilton 5-28, Bermuda on Tuesday, 10th September 1985 at 12.00 noon for the following purposes:
a) To receive the Report of the Directors and the Financial Statements for the year ended 30th June 1985.
b) To appoint auditors at a rate of remuneration to be decided by the Directors.
c) To fix the number of and to elect Directors.
d) To determine the remuneration of the Directors.
e) To transact any other business of an Annual Ordinary Meeting of Shareholders.

By Order of the Board
J. O. CAMPBELL
Secretary

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Notice is hereby given that the rate of interest for the period 15th August 1985 to the 18th February, 1986 has been fixed at 8.5625 per cent per annum. On the 18th February, 1986 the interest of US$444.77 per US$10,000 nominal amount of the Notes will be due against Coupon No. 4.

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RESEARCH IN SPACE

Post-war impact of Germany's V2 pioneers

By Peter Marsh and David Marsh

THIS summer marks not only the 40th anniversary of the Second World War, but also of breaking-up of the remarkable team of engineers which developed the world's first space vehicle, the German V2 rocket. The events of 1945 marked a significnat stepping stone in mankind's race into space.

Germany's rocket team, based at Peenemunde on the Baltic coast, developed the V2 as a weapon to carry 1 tonne of high explosive on a course into the earth's atmosphere and down, without warning, on to a target several hundred miles away.

A total of 2,500 V2s were launched from September 1944 to May 1945, when Peenemünde was overrun by the Russian Army. About 1,200 of the devices were directed at Antwerp, where V1s and V2s killed nearly 4,500, and 517 V2s landed on London, killing 2,500 people.

After hostilities ended, the team's leading members continued their research in the U.S., the Soviet Union and other European countries. They had the most impact in the U.S., where the German emigrés formed the nucleus of the U.S. Army's rocket teams and (when it was formed in 1958) of the National Aeronautics and Space Administration.

Today, Peenemünde's engineers are only a small, thinly-scattered group living in various parts of the world but the contribution of individuals from the V2 programme to space science has been enormous.

They have played a vital role in developing the vehicles that took people to the moon, setellites for tasks such as communications and scientific experiments, end nuclear missiles that over the past four decades have changed radically strategies for fighting wars.

They have also made an important impact in a range of more diverse technologies, such as navigation systems for ships and other vehicles, work on robots for difficult or hazardous jobs and the development of magnetic bearings for gas pipelines and nuclear power stations.

The most famous of the Peenemünde workers was the base's second-in-command, Wernher von Braun, who went on to become chief rocket designer for the U.S. National Aeronautics and Space Administration after it was formed in 1958.

"The overall effect of work in space has been greatly to benefit the world," says Rudi Beichel, now 71, an ex-V2 engineer who lives in semi-retirement in Sacramento, California.

"Think of the research in space. How could you imagine weather forecasting or telecommunications without satellites? Soon we won't have to travel any more to talk to each other because of advances in telecommunications. Can you imagine how lifa today would stand up without rockets?"

Georg von Tiesenhausen, also 71, is the last Peenemünde German still to be working for Nasa. He is assistant director for advanced systems et the agency's Marshall Space Flight Center in Huntsville, Alabama.

For von Tiesenhausen, who in the past few years has mapped ont Nasa's policy on using robots rather than people for the international space station planned for the 1990s, events over the past 40 years, far from moving too quickly, have taken place too slowly.

"The pace of change has been getting faster, it's true — but it's not fast enough for all the things we want to do," he says. Von Tiesenhausen has published blueprints for self-replicating robots that would operate factories on the moon.

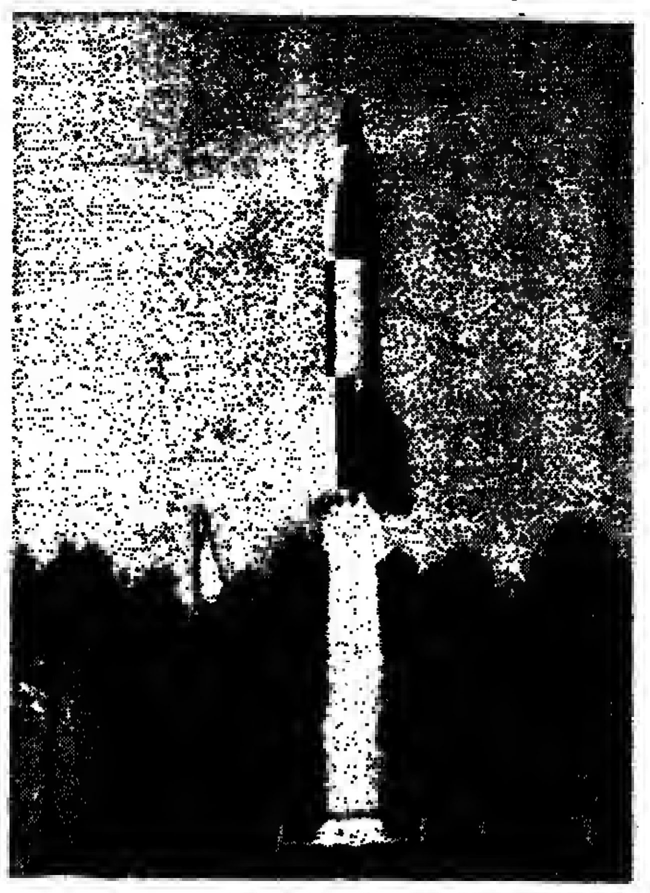
One trend that worries him is the increasing military applications in space. He is a critic of the U.S. Star Wars programme, which seeks to devise the basis of a defensive system in space against Soviet nuclear missiles.

"I'm biased against anything military. I think the Star Wars project is a big mistake. Space was always heralded as a place we could keep for peaceful uses. Now we're contaminating it."

Von Tiesenhausen would like to see another joint U.S.-Soviet manned space mission—the last (and only) such mission was in 1975, before the breakdown of detente. "A link-up between the spece shuttle and Salyut (the Soviet space station) would be desirable from both a political and technical point of view."

A third member of the Peenemünde team is 68-year-old Helmut Habermann, a Czech-educated naturalised Frenchman with a taste in pearl tie-pins, who is scientific adviser to Société Mécanique Magnetique (S2M), a company in Vernon, near Paris.

Habermann is one of roughly 50 members of the German rocket team who emigrated to France after the war. He started work in 1946 at France's ballistic and aerodynamic research laboratory (LRBA) in Vernon, which later became the test site for the motors built by S2M's parent company, Société Européene de Propulsion (SEP), for France's nuclear tipped ballistic missiles and for the Ariane satellite launcher.



The V2, leaving the launch pad during a British-controlled firing from Cuxhaven, Germany in October 1945

The rocket pioneer's experience with the gyroscopes and servomotors needed to steer the V2 led to developments in inertial guidance systems for navigation and control of the world's armouries of submarines, aircraft and ballistic missiles.

In the 1960s, Habermann went on to work on non-friction magnetic bearings which can rotate at 800,000 revs/minute — three times faster than conventional ball or roller bearings. The magnetic devices are already in use in high-speed milling machines making aircraft parts and in vacuum pumps, X-ray tubes and compressors. The bearings are also to feature in the turbines of French and German nuclear plants now under construction.

S2M is to make the technology available to Rockwell of the U.S. for incorporation into the engines of future space vehicles. It has other joint ventures in the bearings with Kollmargen of the U.S. and Seiko of Jepan.

S2M, which was set up in 1976, has spent about FFr 35m developing the bearings and reckons it has a five-year lead over rival companies such as Toshiba and Hitachi of Japan.

Looking back, Habermann says: "As e weapon, the V2 was not all that interesting. It represented an enormous effort and e lot of money to transport one tonne of explosive for 300 km." At the time of its development, Allied aircraft were raining down thousands of tonnes of bombs in single raids on German cities.

Wernher von Braun, the guiding light of the German rocket team, "was thinking more of going to the moon than making weapons, according to Habermann.

Von Braun end other Peenemünde engineers were captured by U.S. troops in Garmisch-Partenkirchen in Bavaria, where they had fled to escape the advancing Red Army.

In September 1945, in Operation Paperclip, the U.S. shipped across the Atlantic about 500 German rocket experts, including Rudi Beichel. They ended up at the White Sands proving ground in New Mexico where they began work to use V2 technology to create new generations of missiles.

Beichel left von Braun's team in 1956 to work for Aerojet, the Californian rocket company. In aerospace circles today he is known as the "father of the high-pressure rocket engine"

Habermann, meanwhile, took a different route. He worked for a spell in October 1945 for the British Army. In a bizarre exercise known as Operation Backfire, Habermann and other German technicians fired left-over V2 rockets from Cuxhaven in North Germany to show UK military experts how the devices worked.

Later, 20 Peenemünde engineers went to work in Britain for the government, but the research petered out through lack of funds.

As for von Tiesenhausen, he stayed in Germany immediately after the war and took jobs in teaching and driving trucks. He went to work for von Braun in the U.S. in 1985.

Of the other rocket engineers employed at Peenemünde, 2,000 fell into Soviet hands after the research base was captured. They were taken to Russian rocket establishments but—probably because, unlike the U.S., the Soviet Union already had substantial expertise in rocketry—played a relatively minor part in Soviet space and missile developments after the war.

The V2 development was an enormous undertaking. Together with Germany's other V weapon, the V1 unmanned aeroplane ("V" stood for Vergeltung or vengeance), the programme cost Germany about $25bn in today's prices — a similar sum to the cash earmarked for the U.S. Star Wars research project. At its peak, the Peenemünde base employed about 6,000 people.

"We were living on an island, completely cut off," Habermann recalls. "For us engineers, it was fascinating.

He says he was not aware of Hitler's demands to speed up deployment of the rockets in the later stages of the war, nor of the possibility (if the conflict and German research had gone on long enough) that the missiles could heve carried nuclear bombs.

"Everything we wanted for the project we had to develop for ourselves from scratch," says Beichel. "In technical terms, it was a marvellous effort."

Von Tiesenhausen worked at Peenemünde mainly on static test facilities. Towards the end of the war, he was assigned to design submarine launch platforms from which the V2 would have been fired off the U.S. coast, aimed at New York.

The war ended too soon for these ideas to reach fruition. Later, other engineers turned them into submarine launching systems for missiles such as Polaris and Trident.

The most important hardware to come out of the German rocket programme after the war was the stock of 100 V2 rockets that, as part of Operation Paperclip, the U.S. transported to New Mexico.

Between 1946 and 1952, the German emigres launched 64 vehicles based on the V2, mainly for scientific experiments. These adapted rockets were more powerful than the original V2s and commonly reached heights of 180 km, above the limits of the atmosphere.

In February 1949 came a milestone. The world's first two-stage rocket (one based on two sets of engines and rocket fuels, burning in succession) was fired 400 km into the heavens, higher than any other man-made object.

This rocket was the precursor to all later U.S. space vehicles, including the Saturn 5 thet took 12 Americans to the moon and today's fleet of Space Shuttles.

One recollection from Habermann sheds light on just how near Germany came to changing history with its V2 weapons. Had Germany managed to build and launch anything like the 50 to 60 rockets a day originally planned, the Second World War might have ended differently.

One reason why these numbers were never achieved, he says, was the vast quantities of potatoes needed for conversion into alcohol which (with liquid oxygen) provided the V2'e propellant.

With 4 tonnes of alcobol needed for each rocket, every flight used the equivalent of a day's staple diet for a small German town. When it came to an argument between food and rockets, it was food which won.

Edinburgh Festival/William Packer

Themes and individuals

My rough tally of the exhibitions I have seen in and around the Edinburgh Festival this year runs lo something over 30 and ie by no means exhaustive. Last week I dealt with the principal exhibitions upon the theme of France and the Auld Alliance, and so now for the rest, ond a very mixed bag it is.

S. J. Peploe at the Scottish National Gallery of Modern Art is an important exhibition, a full retrospective study of an artist whose reputation has survived well enough in the 50 years since his death but who is still qualified tn his disadvantage by critical emphasis upon his membership (with Fergusson, Hunter and Cadell) of the little group of Scottish Colourists. On this evidence, though it is a little over-copious and unbalanced in its presentation, he elearly deserves better than that—and, perhaps, so do they all.

Possessed of an extraordinary natural gift that matured early, and intelligently aware of the contemporary progress of French painting, post-Cézanne and Fauve developments especially, Peploe addressed himself in the years after 1910 to those current preoccupations with colour not as surface but as form itself. In the work of his middle and later years his palette lightened and brightened, and the paint grew more clotted and static, and the drawing simpler and more schematic.

It also grew duller, safer and more predictable, and it is the only fault of this exhibition that it, too, does go on rather, labouring the point. That said, the sin is of degree and does nothing to lessen the exhilaration we feel before the work of the younger man, fresh from the schools nf Edinburgh and Paris in the middle 1890s. His conscions admiration of the speed and flair of Hals, the glamour and npulence of Sargent, the simplicity of Manet and the radical adventure of Matisse is evident enough, but he makes of it all something quite his own. His Mrs Peploe of 1906 is only one of several major portraits that give way to no one, and a small drawing on the landing of 1908, another heed and shoulders of a woman, ber face in shadow, is one of the loveliest things on show in Edinburgh (until September 8).

The *Tribute to Wilkie*, that earlier hero of Scottish painting, at the Scottish National Gallery has been treated already on this page. Wilkie is without question a major figure of tha early 19th century hut critically underrated and thus neglected for far too long, dismissed by the revulsion of taste away from anecdote and incident in painting, and a general British distrust nf conspicuous skill. Here (until October 13) we see him true in his proper context, heir to the Hogarthian tradition of genre and history painting. But the important thing, given the opportunity to make the comparison with so many of those he influenced and directed, is to see just bow good he was: tha sentiment always mediated by clear observation and fresh, easy handling. There is a disinterested quality to his vision which confers a kind of grandeur to the work, though the statement is often small and the image mundane.

There is much Scottish art about, and nowhere more so than at the Fine Art Society with three distinct exhibitions and all its stock besides. Of the three Victorian artists, Joseph Crawhall is the most substantial and there are as many nf his virtuoso watercolours of animal and sporting subjects as can have been seen together for many years. There are moments in his work when his mark-making, in his description of a cockerel's tail for example, for all its apparent exactness, takes on an oriental quality of calligraphic abstraction and finality, which is quite astonishing.

The work of Edwin Alexander is remarkable in its own way, for his grasses, wild flowers and spider's webs are minutely observed and realised and yet stated with a speed and freshness that clears them of all nbsessiveness. Downstairs are the sketches and family correspondence of Alexander Mann, and a group of his life drawings that take us right back to the mid-Victorian academy (until August 31).

And there is of course a mass of work by living artists, Scottish, English and international. Elizabeth Blackadder shows a body of her large new watercolours of flowers and still life subjects; I consider ber one nf the best painters working in Britain. Her command of her medium, with which she has been preoccupied for the past few years, grows ever more particular and consummate. Yet her work is always full of surprises, for she has the true artist'a nerve to trust the medium itself, in the intuitive touch sbe makes upon the surfece, and the flow of pigment across the paper, to lead her on to achieve the image she herself has proposed, but in its own new way. These are lovely and spectacular works (until September 7).

The contrast with Peter Joseph at the Graeme Murray Gallery could hardly be more extreme, or so it would appear. Yet his minimal canvases — one plain rectangle set upon another, darker ground and nothing more—are informed in fact by a subtle physical working of the surface that brings tha two artists surprisingly close together: a quality of light and shadow infinitely varied and moduleted, though we must look long and bard to catch it. Joseph's paintings prey upon the pictorial imagination in the most gently teasing way, generating and then contradicting space, and light, and form. They are objects of contemplation, insidiously beantiful things that more than repay long, close attention.

James Cumming is at the Scottish Gallery with a substantial body of paintings (until September 4). It is intriguing and frustrating work, for the quality of surface is so immaculate, and therefore so controlled and certain, that it forms a kind of skin, warding off surprise and risk. And yet they are beautiful things, rich and dense in their imagery and reference masks and clowns, puppets and mannikins, and calling up now Nicholsen, now Colquhoun, now Klee.

He shares the gallery with Norman Ackroyd, whose landscape etchings are as free in the technical risks they take as they are beantiful, atmospheric and redolent of place and time and weather, *genius loci*. Often the plates are worked directly with the acid, or bitten in tha boot of Ackroyd's car, fleeting, immediate images and foursquare in the Romantic English landscape tradition. He is as good a printmaker as any, anywhere.

Of the international shows, the most important and exciting is of the work of Komar and Melamid, two Russian Jews who came to the West in 1978 and since 1980 have worked in New York. As artists they paint as one, refusing tn identify any particular contribution or responsibility bnt sharing all. The Fruitmarket is full of their work (until September 21), and it is extraordinary, a latterday neo-classical history painting, with Stalin the bero-devil in place of Bonaparte. The large compositional machines, franght with political allegory and occasional Balthusian sexual innuendo, are fascinating and impressive; the smaller, newer serial and composite paintings upstairs, with their more open, varied and experimental essays in style and content, are more fascinating still. And by them it becomes quite clear that it is neither politics nor polemic that is at the trua beart of the work, but tha more personal and intimate psychology of sexuality and fantasy, borne along on images of violation and abuse, masculina anxiaty and self-doubt.

Richard Demarco, with four Polish artists at his gallery in Jeffrey Street, supplies a further international dimension with a young painter, Leon Tarasewicz, especially impressive with three large, vigorously simple paintings of tree and snowscapes; and tha books of Andrzej Szewczyk opaquely intriguing and physically beautiful. Demarco also shows Scottish artists in the lobby of of the Carlton Hotel, notably Stephen Lawson with his sequential panoramic photomontages that curiously contrive an acceptable image of the passage of time; and in unit 10 of the new Waverley Market he shows another *melange* that includes his own topographical watercolours, Pat Douthwaite's fierce Expresionist beads, and the work of Douglas Swan.

And there are all the mixed shows: *Edinburgh-Dublin* at the Edinburgh College of Art that explores the capital axis and cultural intercourse as it bas gone on this century past—the arts and crafts movement, architecture, painting and sculpture now, with a history of the Edinburgh Tapestry Company of the Dovecot Studios into the bargain. There is Andrew Brown sbowing off his stable of young Scottish Expressionists at the 369, hnt showing off rather more his amazing new premises and cultural complex in the Cowgata which is to unfold its virtues over the coming year. The Talbot Rice Gallery has a show on *Themes on Landscape in Contemporary Scottish Art* (until September 14), with Barbara Rae's collaged canvasses most impressive, and so too Jake Harvey's incident-filled bronze screens.

The City Art Gallery has three exhibitions (until September 21) that each deserve a fuller treatment than is possible here: *American Drawings* from Benjamin West to the present day (from the Carnegie Institute in Pittsburgh); a most extraordinary exhibition of pre-Columbian ceramics from Costa Rica in the Sackler Collection; and *A Breath of French Air*, works from the City's own collections that evince the influence of France upon Scottish painters since the 18th century. And there is *Symbols of Power At The Time of Stonehenge*, a dense, fascinating and at times ravishing installation and display of bronze and gold and stone and clay at the National Museum of Antiquities of Scotland (until October 13).

Treasures of Fyvie at the Scottish National Portrait Gallery is perhaps the most delightful of all these mixed shows, a celebration of the contents of Fyvie Castle that with the building itself came into the bands of the Scottish National Trust last year. The collections were largely the creation of Alexander Forbes-Leith, the millionaire industrialist who bought the castle in 1889, and are especially strong in Romney and Raeburn, of which the painting of the enchanting Mrs Gregory in Whistlerian grey and white and blue is outstanding. But more dramatic are the great full-length Hoppner of Lord Nelson, at once grand and psychologically most intimately observed; and the ebulliently theatrical Batoul of 1766 of Colonel Gordon, resplendent in his kilt flaunted for all the world as proudly as any Roman toga. Ha is as good as any to leave in the mind as the very image of the visual Edinburgh Festival of 1985.

"Sketch of a Woman" (1908) by S. J. Peploe

'Saint Joan' and 'The Tempest' to tour

Jane Lapotaire, Anthony Quayle, Tony Britton and Clive Francis will star in Compass Theatre's UK autumn tour of *Saint Joan* and *The Tempest*. *Saint Joan* will open in York on September 9, and *The Tempest* at Bath on October 1.

Other towns visited are Brighton, Newcastle, Plymouth, Bournemouth, Wolverhampton, Leeds, Glasgow and Aberdeen. The productions will also be going to the Hong Kong Festival from January 27 to February 8.

Baroque bill/Lyceum, Edinburgh

Rodney Milnes

It was something of a coup for the Edinburgh Festival to secure the first UK appearance of William Christie's Les Arts Florissants, the Paris-based Baroque troupe that has built up a formidable reputation, hitherto based here on a series of widely admired gramophone recordings in its mere six years of existence. If Sunday's double hill of Marc-Antoine Charpentier's *Actéon* (c 1685) and Rameau's *Anacréon* (1758) at the Royal Lyceum Theatre was a slight disappointment, doubtless the "technical difficulties" tbat delayed the curtain-rise by 30 minntes had something — though not everything — to do with it.

"Authentic" performances must above all strive to avoid any suggestions of the bogus in addition to those already built-in (for a start, why are they not being given by candlelight?). Here Mr Christie and the orchestra appeared in the pit—deeply unauthentic in itself—in period costume, and the curtain then rose for the Rameau on a Hogarthian scene of convivial merriment that in 1758 would have bad the theatre closed down within five minutes. In both works the confliet between muaical authenticity and visual freedom raised the sort of unanswerable problems tbat call the whole authentie movement into qnestion.

Although it is plainly impossible to supply audiences with special Baroque ears, this particular pair has grown wearily used to the fact that instrumental sound is going to be ill-tuned by today's standards. But does this really have to extend to the singers as well? With one exception the soloists were distinctly below par not only in this respect but in those of declamation—the *sine qua non* of French vocal art—and phrasing. *Anocréon* is a *divertissement* as slight (Bacchus versus Cupid, sensibly reconciled at the end) as its musical content is superabundant, with Rameau at bis most miraculously inventive in a *sommeil* and storm sequence and two superb suites of danees. But none of the singers seemed capable of shaping a phrase with grace or meaning—indeed much of the singing was downright poor—and the playing fell below the standards expected from this group's recordings.

But in *Actéon* the orchestra sounded far more settled, and while Pierre Barrat's production may bave been no more authentie than that for *Anacréon* (staged at the level of visual rhubarb), it had a consistency of style about it. No one could possibly object to the tableau of Diana et ber bath—though one wished the singer sounded as beautiful as she looked — but showing the death of Actaeon and then having it described to us by Juno seemed again to be creating unnecessary problems in a piece that was probably not written to ba staged anyway.

Here, at last, there was some decant singing. Domenique Visse was described in the programme as a counter-tenor, but he is surely a wholly authentie *haut-contre*. His individual, grainy tone, very evenly placed and with no discernable break, inhabits a different sound-world from that of the falsettists wbo sail under counter-tenor colours on this side of the ehannel. Not only is the sound attractive, but M Visse phrases with clarity and distinetion, and bis performance of the title-role raised proceedings to an altogether higher level of accomplishment. Despite this, and the persuasive playing of a lovely score, doubts about the whole enterprise refused to go away.

Edinburgh Fringe

Martin Hoyle

"Why *do* we do it?" laugh the actors with a self-deprecating toss of the head. Jack Klaff's new play, *Wonderful Darling*, gives us a clne; interview, first rehearsal, backstage gossip, personal involvements, thumbnail emotional biographies as in a mini-*Chorus Line* — the Ability Company whisks us through the mystique, magic and misery nf theatre. A board of governors discusses the repertory, actors demand more say, we receive a lesson in conjuring, remember theatre people killed and suffering in totalitarian regimes past and present . . . Graham Callan's production fizzes along: six actors confront us in wheelchairs (two are for real), thereby confronting our prejudices. Issues are tonched on without pontificeting. "We all have a prectising and a preaching side. We're just saying the gap's too wide," they chant, leaving us faintly bemused but touched and exhilarated. Mr Klaff has two other shows at the Assembly Rooms and is obviously worth seeing.

So is Eric Bentley, though his afternoon recital at the Lyceum Studio takes place at an hour wben festival-goers' thoughts are turning to griddle-cakes and bannocks; a shame, since his speech-song delivery and diffidently donnish air as he accompanies himself at the piano make for rewarding listening.

Eisler settings of Brecbt, plus such scene-setters as "Brother, can you spare a dime?" and his own translation of "Falling in love again" make up the first half. I was more taken by Kozma's settings of Prevert, perhaps because of their unfamiliarity, again rendered in both the original and Mr Bentley's English, notably a song written for Arletty in Les Enfants du Paradis hut never used. Updated and Americanised, the tart changes sex into "The queen of 42nd Street"; "My lips are mnch too red, my lips are much too new. This is the way I am—so what? What's it to you?" Mr Bentley ends with some of his own songs, including the fine Brecht-inspired "The Uncommitted" and a sort of love song, "Whatever the hell that meens, I love you." Ha deserves a smoky cellar bar crowded with admirers; but tea-time passers-by will have to do.

Sáry's Sonata Grande/ICA

Dominic Gill

Lászlo Sáry (b 1940) is the senior founder-member of the New Music Studio in Budapest, a group whose key role in the development and dissemination of contemporary Hungarian music I have described on a number of occasions during the past 10 years or so on this page. Tbe members of the group have exceptionally diverse, and often quite rapidly changing, musical preoccupations. Sáry alone, in his quiet and unassuming way, bas been remarkahly faithful to an early Cagean star: a special interest in the use of random, chance procedures in composition which developed in the early 1970s bas dominated his work ever since.

The latest in this line, a Sonata Grande for solo piano, was given its première on Sunday night in Adrian Jack's MusICA series at the ICA. The chance procedure whicb Sáry employed to compose his sonata is almost embarrassingly simple: he took the published score of Charles Ives's Concord Sonata, turned it upside down, transposing the bass and treble clefs, snipped each page into lines, shuffled the lines according to a random system, and with very few other alterations pnt the inverted lines together again to make up his work.

Sáry's Sonata Grande is therefore no more and no less than a randomised npside-down version of Ives's Concord Sonata—tbe debt to Ives is somewhat incompletely acknowledged in a programme note. Sáry's colleague Zoltán Jeney tried almost exactly the same experiment a few years ago with a movement of a Mahler symphony. What is remarkable in both cases is how mnch of the unmistakable and original manner of the composer still remains in the topsy-turvy adaptation.

Jeney's "bomage" nsed none of Mahler's original notes, or any of his original instrumentation: yet every page of the music bas a flavour, instantly recognisable, of Mahler. By rights, Sáry's looking-glass permutation of Ives sbould have resulted in perfectly un-Ivesian gabble—interesting perhaps in its own right, hut of no perceptible relation. In the event, the Sonata Grande has an Ivesian resonance in almost every measure: it is not Ives'a Concord Sonata, yet it recalls no other work, and no other composer, so readily. The exercise gives rise to some intriguing questions: in particular, in what qualities of his music does the irreducible essence of a composer lie?

The fact that the performer Alan Feinberg (as he admitted to us in a brief talk before the recital) could never quite banish the sound-world of the Concord Sonata from his own mind as be played may bave helped us unconsciously to affirm the link. The performance was impressive, bright, tough and exact. It marked Mr Feinberg's British debut: I look forward to hearing him again in London, with a larger assortment of music, very soon.

National Youth Orchestra/Albert Hall

Dominic Gill

The National Youth Orchestra's memorable new-year concert in Croydon under Pierre Boulez 15 years ago showed how, given the right stimulus, a group of dedicated and expert, though not yet "professional," teenage musicians can match in virtually every respect (and, in some, better) the performance of a regular professional band. Their account of Debussy'a *La Mer* was the finest I have ever beard from any orchestra. A passing regret that the NYO are not able to draw more often on a wider range of the greatest condnctors—how exciting it would bave been to hear them in the 1950s under Klemperer, or today under Abbado, Giulini, Sanderling, Solti!

Friday's Prom, under the baton of the Dutchman Kees Bakels, never reaebed quita such dazzling heights—but several times closely approached them and consistently stirred vivid memories of them by the very freshness and clarity of its sound and by the extraordinary response, instant and exact, which this orchestra of young pre-professionals invariably gives its conductor.

They opened with Nicholas Maw's *Spring Music* in its new, shorter version of 1984: in the composer's words "a good opening item for a concert," full of "tunes people could leave the hall whistling." It is a beautifully written, nostalgic excursion through Brahmsian, Delian, Brittenish and Bartokian territories: a remarkably successful synthesis which, though it sets np a great number of sympathetic resonances, never is, and, more important, never sounds like, pastiche. In particular, Maw avoids with great success, if not in absolutely every instance, that hriskly jolly orchestral jogging which in English tonal music is the orchestral stereotype for "fun." Splendid performance too.

Britten's *Diversions* for piano left-hand and orchestra (written for the one-handed pianist Paul Wittgenstein for whom Ravel wrote his left-hand concerto) are an exuberant compendium of keyboard techniques in a dizzy variety of styles. The Irish pianist Philip Martin was the accomplished soloist; the orchestra rose to every one of its individual challenges with wit and evident pleasure. If baving whistleable tunes really were a necessary criterion of excellence (which it isn't) then *Diversions* has more of them on every page than *Spring Music* (except for truly dedicated whistlers) bas in all its 11 minntes.

A greatly reinforced youth-orchestral body returned to occupy every sqnare foot of the Albert Hall's platform after the interval for Shostakovich's fourth symphony. It was a brave and brilliant performance, suffused with energy: the buge first movement powerfully driven, the finale's dark burlesque exceptionally firm and sure.

South Bank Summer Music

Max Loppert

This year's Summer Music (18 August-1 September), the second under John Williams' artistic directorate, bas a strong infusion of Summer Folk. Sunday night'a opening concert, given in the Festival Hall by the English Chamber Orchestra under Alexander Gibson, combined both: in the first balf Mozart, Vivaldi and Villa-Lobos, in the second the first British performance of Shaun Davey's *The Brendan Voyage* for Irish pipes and orcbestra.

Sir Alexander and the orchestra set off the evening with an easygoing account with tha Mozart A major Symphony (K201 or 186a), neatly played, pleasantly light in manner, not exciting where tbe music can legitimately be made to be. (The curtains that belong to the current ballet occupation of the hall seem to dull its already dry acoustics somewbat further.) Mr Williams (lnte) and Norbert Blume (viola d'amore) then took the lead in a beautiful Vivaldi D minor double concerto (R.540)—unusually sober in its onter movements, caressingly intimate at the centre—and after that we bad the Villa-Lobos guitar concerto, wbicb tends to trail its attractive ideas ineonsequentially, but of which Mr Williams is a splendidly sympathetic advocate. All good, ctean, unexceptionable performances.

After them, a sharp drop downwards to the level of part two. Liam o'Flynn is a leading exponent of the Irish pipes, and Davey's score achieves its few good moments in allowing him to play them unaccompanied. For the rest, this string of clichés (most of them better beard in their original guise, in Vaughan Williams' *Sinfonio Antorctica)* in evocation of Tim Severin's eponymous book contents itself with mixing the properly unmixable—pipes and orchestral strings, orchestra and a particularly nasty rhythm section—and doing so with an indefatigable repetitiousness that proves, in the end, triumpbant. Davey has, according to the programme, written a number of television scores; *The Brendan Voyage* sounds as though it ougbt to be ooe of them—and the sooner the better.

Albert Hall/Radio 3

Andrew Clements

Gunter Wand's promotion to something near cult status since be became a cbief guest conductor of the BBC Symphony Orchestra may not have seemed so surprising to those wbo beard the recordings of Bruckner symphonies be made in the 1970s, which gave ample proof of the authenticity of his credentials in tha German tradition. What be promises to restora to the BBC SO is something of a 19th century sound. It is a band trained over many years to be most responsive in contemporary scores, so that lean flexibility has been favoured over warm expressiveness.

There were signs in Saturday evening's account of Bruckner's eighth symphony that Wand, at least for the duration of his visits, is beginning to confer that kind of wholeness upon tbe orchestra. Tha strings still do not bloom naturally; their phrasing is not instinctively expressive, but the sound was quite credibly romantic, with fine mellow brass and climaxes which seemed to expand naturally, rather than have greatness thrust upon them.

Wand is an unspectacular Brucknerian, never trying to force the pace or to inject spurious excitement. Sometimea it might have seemed an uneventful interpretation, but there was more than sufficient compensation in the eloquence of the first-movement coda and the sustained beauty of the adagio while the finale's apotheosis had the seal of certainty upon it. In those closing bars it suddenly generated overwhelming intensity, as if the whole edifice had been shaped towards that moment. Bruckner symphonies are only rarely made to work so effectively.

Arts Guide

Music/Monday. Opera and Ballet/Tuesday. Theatre/Wednesday. Exhibitions/Thursday. A selective guide to all the Arts appears each Friday.

Opera and Ballet

August 16–22

LONDON

Australian Youth Ballet, Royal Festival Hall for four days from Tuesday. (928 3191).

PARIS

Anne Puissegur's Young Classical Ballet in France: Carmen, choreographed by Ernst W. Boehm. Espace Ronsard, 2 Rue Ronsard (264 3131)

VIENNA

Volksoper at the Staatsoper: Die Fledermaus conducted by Rudolf Bibl; The Czardas Princess by Emmerich Kalman conducted by Rudolf Bibl with the cast from the Vienna Volksoper. (5324/2945)

NETHERLANDS

Amsterdam, Carre Theatre. The all-male comic ballet company Les Ballets Trockadero de Monte Carlo (Tue to Thur). (225 225).

ITALY

Pesaro: Teatro Rossini: The Rossini Festival opens with Maometto II conducted by Claudio Scimone, with scenery and costumes by Pierluigi Pizzi (Mon and Wed). (331.84)

Verona: Arena di Verona: Aida conducted by Daniel Oren and produced by Gianfranco de Bosio; Attila, conducted by Nello Santi and Il Trovatore, conducted by Reynald Giovaninetti and produced by Giuseppe Patroni Griffi. (23.520)

NEW YORK

New York City Opera (NY State Theater): Norma, season's first new production, is directed by Andrei Serban and conducted by Richard Bonynge, with Olivia Stapp in the title role and Robert Grayson as Pollione. I Puritani, last seen in 1983, has Faye Robinson singing Elvira, conducted by Edoardo Müller. The week also includes The Mikado and Manon. Lincoln Center (870 5570).

CHICAGO

Ravinia Festival Highland Park: The San Francisco Ballet, America's oldest company, performs a week of mixed programmes from their varied repertoire as part of a special Festival of American Dance. Highland Park (728 4642).

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Tuesday August 20 1985

British Rail on the spot

THERE IS no question that British Rail should become more efficient and more productive: no question that the productivity improvemeots — of which the disputed introduction of drivar only operated trains la only one—should come in, and the soonar tha better.

British Rail will save only an estimated £27m annually at the end of five years from this innovetion. But It sees it, probably rightly, as of great symbolic and practical value in securing the principle that change must take place at a faster rate than the snail's pace which its present consultative procedures bave so far allowed.

To say that does not, of course, go very far: It does not answer the increasingly urgent questions on bow fer the Government wishes to support the rail network, bow fer it recognises thet the costs of road transport are less easily expressed than those of rail are in the BR eccounts, and bow far its sympathises with the considerable environmental problems which would be experienced by growing numbers of people in both industrial and rural areas the more freight moved from rail to road.

These issues require e more detailed exposition than they have yet received: but they do not detract from the point that BR must and should become more productive.

Ballot

Even within these restricted parameters, bowever, matters are not as simple as that. For in introducing trains modified for driver only operations, BR has bed to move outside the procedure agreement it signed with the unions, claiming that the process has been exhausted and (with doubtful authority) thet the principle has been accepted by the agreement to run one man trains on the Bedford-St Pencras line.

Mr Jimmy Knapp, the NUR general secretary, has learned his lesson from the miners' strike, and is unlikely to lead industrial ection which does not hava the full-throated support of the 11,000 guard members as expressed in a ballot. The NUR may cause a good deal more disruption much more quickly than the mineworkers were able to do: but the way in which they do it will be likely to deny the Government and the BR board the high moral ground which the former was able to occupy from March 1984 to March 1985.

The issue of procedural agreements raises tha question of whether they should be accorded legal status. This has traditionally been put forward by employers as a way of restraining anarchic union behaviour: It is now being looked at by unions as a way of holding back managements.

Perhaps tha best argument for its serious consideration is that which admits that the law is now irrevocably a major factor in the British industrial relations scene, and that legally binding agreements might foster a disciplined approach from both sides from the outset.

There is a second far reaching issue. The balloting ushered in by the 1984 Trade Union Act is changing much on the industrial relations map, but it would be wbolly wrong to assume that it merely gives the "silent majority" en opportunity to rein back its militant leaders.

The NUR, of all unions, knows well that this ain't necessarily so: in 1972, It conducted a ballot on conformity with the 1971 Industrial Relations Act and won a large majority: an improved pay offer bad to be produced to solve the dispute.

Consequences

No need to say times have changed: but bow does the Government and BR handle a strike which has obeyed all of its rules? Mr Knapp may get democracy on his side (there is much dissatisfection among railway workers over their industry, and that will influence their voting choices) and be already is making moch play of the safety issue when worries over vandalism ere high.

It is becoming cleer that ballots in unions are having the unpredictable consequences which any extension of democracy can be presumed to have. They will plece very large pressure on such corporations as BR to take e high public profile in order to gain public support. One can readily anticipete that governments will plece e higher premium on PR skills among public sector chairmen than hitherto.

Further, it is not possible to determine what eny ballot is "about." Any ballot in the public sector will be partly concerned with how the Government is viewed et the time, making their outcomes highly volatile. Democracy may remain the least worst system for running things, but it is not only unions which have yet to come to terms with it in industrial relations.

What is special about the current dispute is that a public sector employer is up against a union which seems determined to fight by the Queensbury rules.

The narrow path of regulation

DEREGULATION leads, it would seem, to more regulation. This apperent paradox is most visible in the City of London and in the U.S. and British telecommunications industries. The precise form of deregulation in each case varies, but the underlying philosophy is similar: that efficiency is more likely to be promoted by giving free play to market forces then by erecting often artificial controls and barriers.

Yet in all three cases, deregulation is turning out to be something of a field day for regulators. In the City, it bas been deemed necessary to establisb a watcbdog authority to supervisa the financial services industry, just as Oftel was creeted by the Govarnment last year to watch over telecommunications.

Lobbying

In the U.S., the partial dismantling of long-establisbed regulatory controls in telecommunications has not noticeably freed regulators in Washington to spend more time on the golf course. Indeed, almost every major decision taken by the Federal Communications Commission in the name of deregulation excites frenzied lobbying from rival groups seeking to have the rules re-drawn in e different way.

The reasons for the paradox are closely related to conditions in these particular markets. In telecommunications, while deregulation may have created the opportunity for freer competition, it will only eucceed if there is also feir competition. Perhaps inevitably, in en industry wbere monopoly policies hava long prevailed, some competitors start out more equal than others.

Though American Telephone and Talagraph has been stripped of its local telephone companies, it still accounts for more than three-quarters of long distance traffic, wbera its amallar rivels complein that its size and resources giva it special advantages. In tha UK, though soma naw suppliers bave begun to emerge, British Telecom's de facto monopoly—and henca its power to set the terms on which others compete—remains largely intact.

The regulators therefore have a crucial role to play. They must ensure that tha market is sufficiently open to allow new entrants to flourish, but withont shackling the dominant suppliers so tightly that their commercial performance is severely damaged. Experience has shown that this is not alweys an easy balance to strike.

In the financial markets, dominance is much less of an issue. Here, the regulators' prime task is to protect investors by ensuring that wider freedom of choice does not lent to abuses by dishonest or inept operators. Given the markets' growing complexity and sophistication, there are strong prectical grounds for requiring more than a simple government health warning to safeguard investors' interests.

Barrier

However, It also remains true that even the most enlightened regulatory system cannot act as a substitute for real competition. This is e point to which the British Government has not always paid sufficient attention when privatising state-owned companies.

The problem is highlighted by the Government's plans to privatise British Gas. Given that the cost of duplicating British Gas investments in its distribution system poses e formideble barrier to new market entrants, the organisation seems likely to remain laregly immune to direct competitive pressures for tha foreseeable future.

In these circumstances, devising and enforcing effective regulation poses a difficult challenge. If the regulatory authority is given too little power, it risks being ignored or captured by the organisation It is supposed to be controlling. But if its powers are too extensive, there is a danger that it may usurp legitimata management prerogatives. Neither outcome would be consistent with the Government's professed commitment to enlarging the role of market forces.

TRADE WITH CHINA

Japan scales a new peak

By John Makinson

ON MAY 26 this year a team of Chinese and Japanese climbers reached the summit of one of the world'a few unconquered peaks, Mount Naimona Nyi in Tibet. Standing 25,198 feet above sea level, the mountaineers planted their respective national flags and celebrated tha success of a peculiarly symbolic joint venture.

The two countries, sperated according to Chinese proverb only by e stream of water, have long been intrigued by the thought of harnessing China'a natural resources and cheap labour to Japan'a capital and technology. Each, in theory, can provida what the other lacks. In this instance, China supplied the mountain end the sherpas; Japan came up with the money and the climbing boots.

The joint achievement in mountaineering is, to judge from appearances, already being mirrored by progress in trade and investment. Almost 250 Japanese companies have representative offices in Peking, where they outnumber their British counterparts by roughly 10 to one, and any Japanese organisation with international pretensions will be delighted to discuss its blueprint for China.

Advertisements for Hitachi televisions stare down from the billboards in Peking and department stores display a host of Japanese consumer goods in their windows. The Great Wall 5025 personal computer is a favourite.

In Tokyo, enthusiasm for doing business with China knows

In Tokyo, enthusiasm for doing business with China knows few limits

few limits. The initial interest which greeted the introduction of China's open-door policies in 1978 was tempered two years leter by the cancellation of capital goods projects and a recognition that the country bed set itself unrealistic development targets. But, in the past year, the doubts have largely been set aside. Japan is once again in the grip of China fever.

The symptoms are most proounced among industrial planners, who see China as a limitless and almost untapped market for Japanese manufectured products. Just as the UK textile industry dreamt a century ago of selling e single cotton shirt to every Chinese adult, tha Japanese electronics industry dreams of placing a single colour television set in every Chinese household.

That ambition is not, on oaper, as fanciful as it might seem. China aims to increase per capita GNP from tha present level of around $300 to $800 or more by the end of the century. On present trends the growth in consumer spending power could provide a market for roughly 10m television sets e year over the next 40 years, by which time the market should have reached saturation. In 1984, total Japanese television output amounted to 15m units of which half were exported.

The dramatic growth in Sino-Japanese trade has given these projections a plausibility which five years ago was entirely lacking. China is already Japan's largest single export market for colour televisions and the second largest for refrigerators. In 1984, China overtook the U.S. as the biggest purchaser—in volume terms — of Japanese steel. In the first half of this year it became the second largest market for the Japanese motor industry.

Comparisons with the U.S. are, for the Japanese, very much to the point. China's readiness to import manufactured goods bas contrasted starkly over the past two years with the protectionist positions being adopted in North America and Western Europe. China, so the argument runs, is Japan'a insurance policy against tariff barriers in the West.

China's imports rose last year by 38 per cent to $25.5bn, with Japan contributing more than its fair share of the growth. Jepanese exports to the country increased by almost 50 per cent and, et $7bn, were much the largest item on China's import bill.

Doing business with Chine is a serious matter. M Masanori Ito, vice-chairman of Nomura Securities, Japan's largest securities firm and arguably its most powerful financial institution, devotes all his time to China. It would be difficult to imagine the vice-chairman of Merrill Lynch or Barclays Bank giving his ettention exclusively to a country which five years ago was scarcely on the financial map.

Mr Ito is an unashamed optimist and, like many of his compatriots, sees a special relationship between Japan and China. He perceives e symmetry between Japan's earlier education in culture and religion, and China's present training in commerce and technology. Five bundred years ago, tens of thousands of Jepanese trainers were dispatched to China to learn about art and religion. Now, Mr Ito believes, Japan is returning the compliment by initiating the Chinese into the mysterious art of steel manufacture.

Mr Ito also sees close parallels between Jepan's post-war economic development and China's modernisation drive. China, he argues, is now passing through a development phase similar to that which Jepan experienced in the 1950s. It has an urgent need to modernise production facilities and is coping with transition problems created by rapid economic growth.

Yet tha partnership which Mr Ito envisages is still very far from being realised. While Jepan has displayed an unsurprising willingness to trade with China, it has held back from commitments of capital and technology. To pursue the mountaineering analogy, the Japanese have been happy to sell tha climbing boots but not to scale the peak themselves, or for that matter to teach the Chinese to make the boots.

"Japanese industry is now epproaching e watershed in its relations with China. Peking is showing an ever greater deficit on foreign trade with Tokyo while official emphasis is being placed on the provision of long-term capital and technology which Jepan is reluctant to commit. The special relationship is, if not in jeopardy, et least in doubt.

Trade between the two countries has grown on a surpisingly narrow base. Last year metal products accounted for 39 per cent of Japanese exports to China, electrical goods represented another 14 per cent and chemicals a further 9 per cent. The flow of trade in the other direction was even more concentrated. Mineral products—mostly petroleum—textiles and foodstuffs made up 84 per cent of Chinese exports to Japan in 1984.

Over tha past six months a sharp run-down in China's foreign exchange reserves has obliged Peking to cut imports. As recently as last October, China's reserves totalled a comfortable $17bn. Peking is more than a little coy about providing current statistics but unofficial estimates put the reserves at $10bn or less.

China is expected to replenish its foreign currency assets by drawing down a $2bn credit facility arranged by Bank of Tokyo and a syndicate of Japanese banks but the country is notoriously relnctant to pay the going market rate for its credit and may prefer a still tougher line on imports to heavy borrowing in the commercial markets.

Japanese exporters are in a particularly sensitive position. Consumer prodncts provided much of the momentum for last year's increase in trade as Peking sought to counter an inflationary growth in the money supply through sales of durabla goods. Now, however, it is cars and electrical products which are bearing the brunt of the cuts.

China also recognises that Japan is one of the few countries with which it bas a trade deficit. After many years of surplus, the balance swung into a $2bn deficit last year, according to Chinese statistics. The Japanese put the figure at only $1bn but acknowledge the trend.

In the first six months of this year, tha growth of bilateral trade pushed China into second place — behind the U.S.— among Jepanese trading partners. But the growth in exports from China was nothing like matched by the flood of products from Japan. The trada gap between the two countries widened to $2.8bn.

Yet the trade problem between the two countries goes beyond any temporary embarrassment about the widening deficit. Chine'a seventh five-year plan, which runs from 1986 to 1990, will lay stress on the importation of longer-term capital to develop tha country's infrastructure. Roads and power stations will have a higher priority than consumer products. At the same time, Chine will encourage tha domestic substitution of imported goods. It will seek to make—and export—the steel which it now imports from Japan.

The Chinese are so far unimpressed with the attitude taken by tha Japenese business community towards the provision of capital and technology. Mr Gu Xian Cheng, vice-president of China International Economic Consultants, has as much experience as anyone in Peking of dealing with foreign businessmen. He is full of praise for the Japanese Government's efforts to interest its industry in China. The Japanese have led the way in providing soft loans to China for infrastructure development. But, Mr Gn believes, the enthusiasm has yet to spread to the private sector.

"Japanese industry," he says, "is short-sighted. It is afraid that we will catch up. That is nonsense. As we become better off, our purchasing power will grow and we will have to buy new products from Japan."

The Japanese are less sanguine. "Just look at the women'a volleyball team," insists one veteran Peking resident. "A few years ago they were halfway down the world rankings. Then they employed e Jepanese trainer and now they have the best team in the world." What goes for volleyball may, in Japan's eyes, go for motor cars and computers.

All foreign companies have reservations ebout investing in China. There is e common concern ebout the possibility of a return to less hospitable policies, compounded by worries about the inadequacy of Chinese legislation governing patents end joint ventures. The single largest stumbling block is Peking's insistence that jointly-owned enterprises must meet foreign currency payments on imported raw materials and components from the foreign exchanga proceeds of export sales.

For a few Japanese companies, this requirement is easily met. China Nantong Li Wang is e joint venture which produces cloth shoes entirely for the export market. The company sources its raw materials locally and has access to cheap Chinese labour. Production started in February 1983 and the company made a profit in its first year of operation.

Not many joint ventures are so fortunate. The quality of Chinese electrical products, for example, is not high enough to guarantee their acceptance in export markets.

And even the successful joint ventures bave difficulty in remitting profits to Japan. The turnover of China Orient Leasing bas grown from $2.5m in 1981 to $121m in 1985 and the joint venture's president, Mr Kenji Kajiwara, is delighted with the profits. But be edmits that the Chinese representatives on the board have so far rejected the idea of remitting casb dividends to Japan.

The Chinese argue, however, that American and European companies have proved readier to grapple with these problems than their counterparts in Japan. "Our Japanese friends are more cautious," says ona senior Chinese official. "But if they decide to make the investment and one company takes the lead, more Japanese companies will follow."

So far progress la slow. Japan is well behind Hong Kong and the U.S. in the joint venture rankings. Last year, 100 Japanese companies held talks in Shanghai ebout the possibility of establishing joint ventures in China. Almost all decided against it.

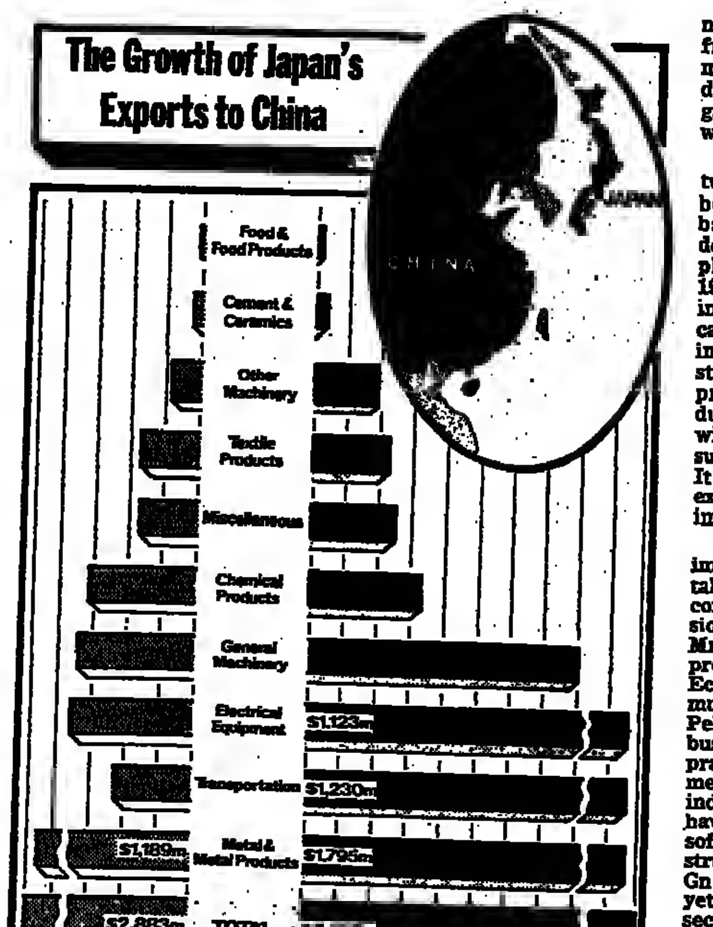
For a country which prides itself on long-term planning and enjoys the highest surplus of capital in the world, the reluctance to commit investment to China is puzzling. Some Japanese undoubtedly feel themselves to be second-class citizens in the country. According to one Tokyo-based China watcher, Japanese engineers ere offered less than half the rate extracted by their Ameri-

Japan is well behind Hong Kong and the U.S. in the joint venture rankings

can colleagues for work in China.

And, for all the cultural and historic parallels, most Japanese find China an uncomfortable and even unfriendly place to work. "I have worked in Europe and North America, but I hava never found any country as strange as China," was the characteristic comment of one Japanese resident in Peking. Japan's occupation of parts of mainland China in the 1930s and 1940s hes left bitter memories on the Chinese side and some Japanese businessmen believe that the Chinese conseqoently drive—and frequently secure—a harder bargain with Japanese companies than they would with businesses from any other country.

Yet both sides recognise the mutual value of industrial co-operation and there is considerable confidence in both Peking and Tokyo that direct investment will pick np. "In the end," according to one senior Japanese civil servant, "investment will have little to do with detailed long-term planning. Japanese companies will simply panic at the thought of being left ont."



Graham Lever

Men and Matters

Dr Pepper's taste buds

Woodrow Wilson Clements—"my ded thought I was going to be president"—was in London yesterday to check on bow the Brits are ecquiring a taste for another Dallas product—Dr Pepper.

The third—largest soft drink manufecturer in the U.S.—after Coca-Cola and Pepsi-Cola—introduced its brand in the UK just three years ago and has recently been promoting it with e £1.3m edvertising campaign.

Dr Pepper was later than its rivals inio the export market, moving first into Japan in 1973. Exports still only account for about 3 per cent of its sales.

Clements, now 71, and chairman and chief executive since 1974, began selling Dr Pepper as e student in Alabama in 1935, 50 years after the drink was first concocted in a Texas drug-store.

A tall, good-humoured man, known widely by his childhood nickname "Foots," it was his marketing expertise that pushed the company into the U.S. industry's top ranks in the 1960s and 1970s.

Clements is still an enthusiastic salesman, currently smacking his lips over the opportunities for Dr Pepper sales in the wake of the Coca-Cole furore; in the U.S. Sales are already up by more than 20 per cent, be claims.

"Coca-Cola's decision to change their formula surprised us as much as anyone else," be says. "In their position, I think I would have looked at my marketing first, done a lot more consumer research, and if I'd then decided to change tha formula I wouldn't bave told anyone except the chief chemist. "But I don't think we've beard the end of the story yet."

Building a market for Dr Pepper in the UK, ha admits, is e slow process. "Yon have to get the taste accepted among young people first and then build on it in successive generetions."

It may be some time before UK drinkers emulate their American cousins and take their Dr Pepper not only cold straight, but bot with a slice of lemon, or use it to flavour their shrimp dip, cocktail biscuits and spare-ribs.

Stout fellows

In the midst of his struggle for control of Bell, the whisky blender, Ernest Saunders, chief executive of Guinness, is not neglecting the promotion of the black stont thet provides two-thirds of his group's profits.

Guinness went through a period of selling to the "Guinnless." That campaign has helped the brew increase sales in the last two years, while, generally, draught beer sales have been languishing.

But Saunders feels that rather more has to be done to keep the name of Guinness before the public. He has hired advertising agents Ogilvy and Mather to run e new £6.5m campaign.

They have been working on it for almost e year, and the new ideas they hope to bring to the venerable drink will be seen and read shortly on TV and in the newspapers and magazines.

The "Guinnless" idea has gone—to be replaced with the thought that Guinness is "Genius."

The new advertising campaign will start in the autumn. It will make much play, I can reveal, with Guinness's association with the four fundamental elements—earth, water, fire . . . and wind.

"I was nearly on Mastermind but I failed the positive vetting"

Under-valued

Perth inventor and entrepreneur, Ralph Sarich, has just been listed by Business Review Weekly magazine as one of 18 Australians worth over A$100m (£50m). Sarich, still only in his mid-thirties, invented the orbital engine. He was not even placed in last year's listings.

With unusual candour, Sarich both confirmed his wealth, estimating it at about A$135m, and criticised the league that had prompted the qnestion. "I must say I take a bit of an exception against our society trying to jndga peopla's status against dollar values," he said.

"To me it's a far greater accomplishment to have buga corporations like General Motors — masters of the art — buying technology from a small Australian company . . . beeting the big boya at their own game."

Another Parth businessman, Robert Holmes à Court is now the richest man "Down Under" according to the BRW list. He is valued at A$300m. Media magnates Rupert Murdoch and Kerry Packer come next with a net worth of A$200m cach. There are a total of 200 individuals in the table with assets totalling an estimated A$10.31bn.

Home service

Having a butier round the house still seems to be e very desirable status symbol in the United States.

Ivor Speocer, who for some years has been exporting the polished products of his school for butlers in London, is now in Houston, Texas, training Americans in the butiing arts.

Since the film, Arthur, be says, he has been inundated with requests from wealthy Americans, anxious to top np their household staffs.

According to a recent U.S. television programme, butlers can command a salary of eround $25,000 e year, together with such additional perks as free food and accommodation, private medical care, and e car.

And a butler with a British accent apparently counts for more in terms of prestige than a Rolls-Royce at the door. The Rolls, after all, may be leased or on extended payments.

For e mere $750 a day, Spencer is also teaching prospective amployers how to get along with their butlers through a typical day's pampering, from being wakened with the (neatly ironed) "quality" newspapers to tha after-dinner brandy.

Exempt

Beryl Power, the formidable civil servant, who drew np a register of talented people to be drafted into Whitehall on the outbreak of World War Two, was occasionally accosted by men during the wartime black-out.

Her mathod of dealing with such undesirables was to shine e torch on her own face end say "Over forty and very busy."

Observer

UK CONSUMER CREDIT ACT

Building societies forced into line

By Clive Wolman

THE bnilding societies agreed last week on a cut in their mortgage interest rates by about 1.25 percentage points from September 1. But many borrowers will notice not a cut, but an increase, in the interest rates they are quoted by their building societies.

The reason is that from next month, the building societies will be obliged to quote the true Annual Percentage Rate (APR) of interest to their customers and potential borrowers. And that rate will be between 0.8 and 1.3 percentage points above the rate the societies use at present.

Eleven years after the passage of the Consumer Credit Act, its "truth in lending" requirements, probably the most important of its provisions, are heing extended to the building societies, who are the suppliers of hy far the largest volume of loans to individuals. The current value of building society mortgages is just over £90bn, abont 60 per cent of the value of all personal sector loans.

The requirement, putting huilding societies on an equal footing with the banks, foreshadows a more general set of legislative reforms to be introduced in Parliament in the autumn which will promote bank-building society competition in making loans. The change will also Intensify a phenomenon which has not heen seen since the 1930s, competition to win mortgage customers.

Several societies started advertising their mortgages for the first time this summer; tha Halifax is even doing so on television. The clearing banks have re-entered the mortgage market with more ambitious lending targets and foreign banks and merchant banks have also appeared. This has meant that, despite a shortfall in the societies' targets for raising funds from depositors over tha last six months, many are unahle to lend out all the funds they have evailable.

The building societies resisted quoting their APRs for so long for two main reasons. Firstly, the requirement will mean that their interest charges no longer appear cheap compared with those of the banks. Secondly, the change has forced several administrative changes on them, for example the rewriting of large sections of their mortgage booklets and deeds. To avoid quoting an excessively high rate, many are also changing their repayment schedules so that their new borrowers may have to make an additional payment, up to an entire month's interest, between now and the end of the year.

All this is a consequenca of the unwillingness of the building societies to up-date their traditional method of calculating interest which grew up in the days of the dominance of small, local societies relying on slide rules and logarithm tables.

One beneficial effect of the APR regulations is that they highlight the unfairness of the building societies' interest charging structure as between their borrowers. The trua interest rate can vary by typically 0.5 percentage points depending on when in the year, when in the month and how long they hold onto it.

The prohlem arises because tho societies take a snap-shot only once a year of their borrowers' debts and then charge interest on that debt for the entire subsequent year. Thus a borrower who makes a large payment a day later will be over-paying. A fairer system would he to take daily snapehots of the deht and compound the interest daily.

The fact that the truth-in-lending rules, probably the most important theme of the Consumer Credit Act, will now affect a much wider section of the population and for much larger sums than previously is also exposing the inadequacies of what was one of the most ambitious legislative projects of the consumerist movement of the early 1970s.

In some respects, the provisions are too burdensoma and bureaucratic. This was confirmed by a review of the workings of the Act carried out by Department of Trade and Industry officials earlier this year as part of a general Whitehall review of ways of cutting Government red tape affecting husinesses.

But in other respects, tha regulations do not require sufficient information to be disclosed. As far as home purchasers are concerned, there are four major inadequacies:

● A comparison of APRs will not tell a horrower directly wbether it is worthwhila redeeming his mortgage with his existing lender and switching to a different one. The Director General of Fair Trading Sir Gordon Borrie said last Novemher that the freedom to switch from one lending institution to another with ease should be a major stimulus to competition and a safeguard against mortgagors suffering from arbitrary interest rate increases. But the borrower has no easy way of deciding whether the savings he wonid make with a new lender justify the costs of setting up a new mortgage.

The APR includes the initial charges for setting up a mortgage, but there is no provision for lenders to inform their customers of their ongoing interest rate once the initial charges have been incurred.

● A simple comparison of APRs will not tell borrowers whether a repayment mortgaga offers a better deal than an endowment mortgage.

Endowment mortgages require the borrower to accumulate a capital sum sufficient to pay off his mortgage by paying regular premiums into, typically, a with-profits endowment life insurance policy. Since the removal of tax relief on life assurance premiums in the 1984 Budget, endowment mortgages are much less attractive, particnlarly for basic rate taxpayers. However, borrowers are often persuaded to take an endowment mortgage because of the large commission they offer to the building society or other salesman.

The problem could have been solved by a requirement on insurance companies to assume a standard rate of return on what remains of the investment of the policyholder-mortgagor after they have deducted charges. The annual premiums and, on tha other side of tha equation, tha projected surplus remaining for the policyholder when the mortgage is paid off could then be incorporated into the APR. The Government however felt that such a procedure would be too complicated and impractical.

● The APR does not inclnde the effect of tax relief on a mortgage. Thus for example a borrower cannot easily decide whether it is worthwhile using his savings to pay off a mortgage early or whether he should invest the money in, say, National Savings certificates.

● The most serious flaw, but also the most difficult to grapple with, is that the APR assumes that mortgage interest rates will be fixed forever. However, a borrower may take out a mortgage with a building society quoting the lowest APR, only to find a few weeks later that his interest charges have been increased and his society has become one of the most expenalve.

It has never been decided whether such a practice could be struck down by the courts on the principle established in the 18th century against "oppressive and unconscioneble" contracts. The leading legal textbook on building society law, Wurtzburg and Mills, says: "It is still considered to be open to douht if an unlimited power simply to vary the interest rate at discretion would he legally valid. . . ."

The Consumer Credit Act says only that a mortgage contract "must includo a statement indicating the circumstances in which any variation may occur."

The building societies have traditionally defended such a practice on the grounds that the volatility of interest rates over the last 20 years has made fixed rate mortgages impractical and that their discretion has generally been used benignly to keep mortgage rates often well below money market interest rates. They also claim that they would fail to win new horrowers if their rates were out of line with the market.

But since the break-up of the building society interest rate cartel two years ago, mortgage rates have generally moved and stayed well above market interest rates. With the intensifying competition for savers' funds, it is doubtful whether rates could ever fall below again for more than a few weeks. And for the first time societies appear willing to charge new borrowers lower rates than their captive existing borrowers. Abbey National announced it was introducing lower rates on large loans in August for new borrowers only and said it saw nothing wrong in making a separation.

Also the growth of interest rate futures and swap markets allow lenders to convert fixed rate assets into variable ones—and vice versa.

When there is a more general overhaul of the consumer credit act, in probably two or three years, DTI officials believe that building societies could be obliged to charge an interest which bears a fixed relation to, say, the average London Inter-Bank Rate of the previous three months.

When house buyers are choosing a bank or building society, they have te consider the following elements of cost:

● How large are the initial monthly payments?

● How soon after taking out the mortgage will the monthly payments start? (Five weeks' grace is preferable to five days.)

● Will the initial monthly payments stay constant or go np or down, even without a change in the quoted interest rate, when the lender calculates the outstanding debt at his accounting year end?

● How large are the setting-up costs for the mortgage (fees, surveyor's charge)?

The attraction of the Annual Percentage Rate, which is based on the actuarial concept of discounted present values, is that it distils all these elements into a single figure.

Building societies will only be quoting a "typical" and approximate APR (see text) in their advertisements. But most borrowers will not need to look further than the bottom line—and choose the lender quoting the lowest APR.

The Cruise business

Why choppier waters may lie ahead

By Andrew Fisher

IN AN INDUSTRY as full of glamour, hype and marketing style as cruising, voices soberly counselling caution tend to strike a discordant note.

Bnt cruise companies, selling sun, romance and adventure, have to match sales flair with sharp-eyed accountancy, although some $1.5bn of new investment is on the way, the mood is not wholly huoyant.

Mr Richard Fain, joint managing director of Gotaas-Larsen, a Bermnda-based company with major cruise interests, admits: "It's no fun to say there may be a problem over the horizon."

But gathering ocean swells are just what London-based Mr Fain expects. Paradoxically, Royal Caribbean Cruise Lines (RCCL), in which Gotaas-Larsen owns a third, will be a major contributor to over-capacity in a couple of years.

In the past decade, the growth in cruising has outstripped most other forms of holiday, though starting from a low base. This year, it will be a $4bn business in the U.S., with some 2m Americans taking mainly to the Caribbean and Pacific seas.

The industry is changing, however. Mr Ron Zeller, president of Norwegian Caribbean Lines (NCL), reckons "the cruise industry is a Johnny-come-lately in world business."

Despite expressing enthusiasm abont the future at the recent Cruise 85 conference in London, Mr Zeller believes that cruise companies will have to bring in more effective business systems and technology to both make and keep track of sales.

Those who, like Mr Fain, are concerned about the effect of the new tonnage, which will mainly crowd into the Caribbean, accounting for 70 per cent of the U.S. market, reckon there may even be some corporate casualties.

The almost hermetic sealing off of cruise passengers — Yuppies, or "young, upwardly mobile professionals," affluent, style-conscious and choosy, are a key target — is a notion increasingly emphasised in future thinking within the industry.

"There is a vast untapped potential there, but there always will be," argues Mr Fain. "It's no good saying 'these people might want to cruise.' What matters is how many you can convince." He believes it will take continuing market growth of 11 per cent a year to absorh the new tonnage, well above latest rates and three times the growth in the U.S. economy.

So who is planning what and how much is being spent?

● A $175m order placed by RCCL in July for a hig ship—the costliest yet—one of two it wants to spread its market position beyond the Caribbean. But RCCL has cautiously deferred the second contract.

● NCL, still considering an ambitious $450m plan for a 5,000 passenger ship code-named Phoenix, has announced a lesser investment of some $200m (still to be placed) which will produce a vessel to take 2,500 people, the same as the new RCCL ship and more than the Norway, the world's biggest cruise ship, which NCL owns.

● United States Cruises has been set np in California to put through an audacious $170m conversion and refit of the SS United States, mothballed for the past 15 years.

● Cunard, part of Britain's Trafalgar House, is pondering whether to spend £60m ($77m) on re-engining the 18-year-old QE2 and shaving a few millions off her annual £15m fuel costs.

● Miami, the world's cruise capital which disembarks over 12,000 cruise passengers every Saturday morning and embarks the same number in the afternoon, is investing in $100m worth of terminal, harbour bridge and transport facilities.

At present, says Mr Carmen Lunetta, the port director, Miami can handle 11 ships at once. Soon, it will be 14. "There's no reason but to be hullish, as we've not seen anything to disturh the growth trend of the best part of a decade."

Now the Japanese, their traditional shipbuilding markets in disarray during the shipping recession, want to break the stranglehold of European yards on the industry. Nippon Kokan (NKK) has already won a North Sea ferry order.

"They're bidding on everything they can find," comments Mr Bjorn Fusche of IKO Maritime, the Oslo consultants assisting NKK.

NKK, also a steel group, has developed special laminated steel which could dampen noise and vibration on ships. Mr Hirohisa Nasuno, its deputy general manager of export ship sales, says yards in Europe offer cheaper financing than Japanese concerns. "Japanese banks are not yet familiar with the cruising business."

It could thus be some time before the first Japanese cruise ship is built.

There is, in fact, e wide enough range of cruises to tempt large numbers of Americans, starting with three- and four-day cruises of $300 and more.

But the really rich do not want to go on standard cruises. To cater for the rarefied end of the market, Norwegian-owned Sea Goddess Cruises has two new $34m ships unashamedly "dedicated to people who are accustomed not only to the better qualities of life, but also tho unusual."

At a cost to passengers of some $4,000 a week, the ships have been 80 per cent full—they only take about 100 people—in the summer Mediterranean season, says Mr Rolf Hjelseth, a partner in the venture.

But it is the big ships that make np most of the market, even though sail and exploration cruising have become popular. The QE2, still benefiting on Atlantic trips from the dollar's waning strength, costs up to £160,000 a day to run and has to be 70 per cent full to hreak even.

"She's comfortahly achieving that," says Mr Bernard Crisp, UK director of Cunard Line. The company earns over 65 per cent of its cruise revenues in the U.S., where the Cunard Countess and Cunard Princess are based. As for over-capacity in the market, "in general I'm not worried," Mr Crisp says. Cruising will make profits this year and more next, he edds.

One company which clearly stetes its cruise earnings is P&O. Last year, its pre-tax profits in the sector rose from £4.1m to £4.6m. Sir Jeffrey Sterling, chairman, said in the annual report, however, that "competition in cruising is fierce and the return on this division's capital employed needs to be improved."

Undouhtedly, cruising has far more appeal than the average husiness. But Mr Fain warns that "if the industry continues to expand at its current exaggerated rate," too many operators will be pursuing the same passengers and "some of the wounds will be too deep to heal."

Letters to the Editor

Anomalies in pay

From Elizabeth Vann

Sir,—John Lloyd's confusing and sketchy piece "Delicate issue of equal pay" (Lombard, August 16) did little to clear up the myths surrounding this new legislation.

Although recognising that the average female hourly-wage is 73.5 per cent that of the male hourly rate, he purports to draw on three centres of research to justify this, but gives no details other than that women in general have less work experience than men after spending time out of paid work having children. Such paltry generalisms do not do justice to the magnitude of the claims now being made.

John Lloyd gives one example of an equal pay claim—a "canteen worker" claiming parity with skilled male workers at Camell Laird shipyard. But what he omitted is that the "canteen worker" is a highly skilled industrial cook who has studied long and hard to be paid less than a shipyard worker. A further example of such a claim is the senior secretery at Climax in Coventry, who will have had college training, management experience and a wealth of human skills to be amployed at a senior level. Yet her pay is £92 per week while a forklift truck driver with no experience (not even a driving licence) and one week's on-the-joh training receives 37 per cent more—£126 per week.

If we look into the claims being made, the facts directly contradict such quasi-academic justifications. If they did not, they would not get beyond the rigorous weeding out of the first interview for the industrial trihunal. It must also be pointed out that such "research" does not explain why young women do not start off with the opportunities, pay and conditions that their male colleagues do — the disparity in rates starts at age 16.

John Lloyd then goes on to meke the odd claim that because women are poorly paid, they are generally less interested in their take-home pay than men. May I suggest that interest in your pay packet increases in inverse proportion to its size. Necessity for the basics concentrates the mind.

It may be that women do not express their concerns in the same terms as men, but surely that does not invalidate the concerns or make them non-existent? As we are still expected to take on the role of putting family before paid work/career and yet also to accept o lower income ln paid work than is often necesary to properly look after children and sick, handicapped or elderly relatives? Concerns such as Flexitimes, childcare facilities and basic pay rather than bonuses and overtime rates are more important to women than men.

The issue of equal pay is an important concern both for management and the labour movement, and for the women whose presence is rarely acknowledged hy either. Bnt let us give the issues it raises careful consideration rather than glih unresearched generalisations. To do the latter is to feed prejndice and misunderstanding rather than provide the information necessary to tackle the disparities in our anomalous pay systems.

Elizabeth J. Vann.
North Grove,
9 Stainbeck Lane, Leeds.

A wage/tax trade off

From Mr C. Smith

Sir,—One applauds the suggestion of Mr G. Weir (August 14) that income tax cuts should be conditional upon non-inflationary pay deals. Would he accept this collective offer instead: a valua added tax cut, to reduce prices; and no pay rise, to hold them down?

It would seem better for him to have more to spend (the same money but cheaper goods) than the same spending power (more retained pay to meet normal price rises). It would be a lot better for people paying little or no income tax—and for employment and the economy at large.

Christopher Smith,
Tilcocks,
The Square,
Apsley Guise, Beds.

Owners of the TSB

From Mr D. Rollo

Sir,—By using Parliament to legitimise the giving-away of the Trustee Savings Bank Scotland (worth between £600m and £700m) to a limited company, without compensation to the depositors who are the real owners, the Government has provided a dangerous precedent for any future Labour Government of the Left. In the absence of a Bill of Rights, any future Government will thus be entitled to nationalise, withont compensation to the shareholders, any company including those formed recently by privatisation.

The European Court of Human Rights, at which the UK makes regular appearances, may provide a remedy for both shareholders and depositors but the time lag may be three years. It would be to the benefit of all concerned if the Government had second thoughts and examined the morality and consequences of its recent actions.

David Rollo.
25 Beaufort Drive,
Kirkintilloch, Glasgow.

The rise and rise of bankers

From Mr P. Herbert

Sir,—We have all recently read a great deal (with, no doubt, a great deal more yet to come) about bank failures and about the supposed shortcomings of supervisory anthorities and auditors. No effort seems ever to be spared in seeking convenient scapegoats for these misfortunes and, to judge by the number of lawsuits pending, we must suppose that a lot more hot air and bickering has still to surface. I would suggest, however, that a greater good might be achieved by a proper examination of some of the principal causes of the problems, matters which until recognised will continne to contribute to further disasters.

Within the past twenty or so years in hanking, there have been soma quite remarkable (and usually welcoma) changes, perhaps especially so in London where not the least important development has been the extraordinary growth in the actual numher of banks operating. Each of these banks (and there must he some doubt as to whether "bank" is a totally appropriate word for soma of them) has obviously needed to recruit staff during a period when, with the rapid growth of offshore centres, many experienced bank personnel have been lost to the lure of sunshine and large, tax-free salaries. These factors have combined to place a very serious strain upon remaining home-grown resources and the resultant shortage has caused many banks to resort to various types of accelerated progression programmes which, while often giving genuinely first-class training in theory, do not and cannot provide practical experience. One possible result is that peonla can be promoted or appointed to responsible positions which demand levels of judgement beyond their experience.

Obviously, any cake is only of a certain size, but with so many now demanding a slice, competition increases constantly and whilst competition within reason can rarely be said to be bad, greed seems also to have entered the scene, with ever-increasing and often unrealistic profit demands being made by some owners and boards upon their managements. This, in turn would appear on occasion to have lead other traditionally more cautious people to take unaccustomed risks, largely for fear of lagging in the various performance/size league tables to which so much hysterical homage is nowadays paid.

The endless demand for increased profits, the evidently lower level of business morality prevalent today, the apparent inability of so many to resist jumping on every passing bandwagon—(after all, who wants to be accused of lack of vision?)—and the shortage of genuine experience are, in my opinion, factors that contribute significantly to lower standards in banking. They are certainly the principal contributors to poor credit policy and judgement and I wonder how many of today's younger bankers, when asked the question "what, as a banker, is your prime responsibility?" would even know, let alone give, the answer "the protection of my depositors."

In such circumstances, I would ask if it is really fair to attempt to lay blame upon auditors and supervisory anthorities who cannot be held directly responsible for initial lack of competence, although to some extent "the authorities" in general must be accountable for allowing the root cause—overbanking—to have arisen.

Patrick Herbert
Rhosilli
Rest Beech Hill
Wadhurst, E. Sussex

A living in the City

From Mr W. Dixon

Sir,—Recently I attended a meeting for investment analysts at a major public company following quarterly results. As usual, only a minority of analysts had qnestions for the management. There was plenty of note-taking, however, and transcripts of the proceedings in one form or another will no douht be landing on fund managers' desks in due course. At least two "analysts" took no notes at all and could only have gained the vaguest impression of a discourse lasting well over an hour.

What is surprising in the City is not the high level of remuneration of the few but the astoundingly satisfactory living of the many.

William Dixon,
14 Talbot Rd,
Isleworth,
Middlesex.

FINANCIAL TIMES

Tuesday August 20 1985

BONN INTELLIGENCE AUTHORITIES SAY WOMAN HAD ASSUMED FALSE IDENTITY

Bangemann aide 'high-ranking spy'

BY PETER BRUCE IN BONN

WEST GERMAN intelligence authorities now seem certain that Frau Sonja Lüneburg, a close aide to Herr Martin Bangemann, the Economics Minister, is an important East German agent.

Frau Lüneburg, 60, who was Herr Bangemann's chief secretary for 12 years until he promoted her two months ago, has been missing for two weeks and is believed to be in East Berlin.

The Government's chief spokesman, Herr Friedhelm Ost, yesterday confirmed reports that Frau Lüneburg was now suspected of having assumed a false identity to enter West Germany. According to these reports, a Frau Lüneburg, a hairdresser by profession, reported to police in West Berlin in the mid 1960s that she was leaving the city to live in Colmar in France.

The authorities have now established that a woman called Sonja Lüneburg then re-emerged in West Germany from Colmar, and moved about the country for a while before settling in Bonn and attaching herself to the Free Democratic Party (FDP), a junior partner in the current coalition Government. Herr Bangemann is leader of the FDP.

The change of identity theory has hardened since friends of the hairdresser who left West Berlin have been shown pictures of Herr Bangemann's aide and confirmed that they cannot be the same person.

West German intelligence sources are being quoted as saying the placing of an East German agent in Bonn through France would imply a great deal of careful planning had gone into the task and that the scale of deceit points to her being an important agent.

The conservative newspaper, Die Welt, which frequently reports accurately on thinking within the Bonn intelligence community, said in a front page comment yesterday that a change of identity indicated "the highest art" in espionage. The commentary poured scorn on the Economics Ministry, which has insisted that the woman had no access to secrets.

Certainly, the early position adopted by the ministry spokesmen and the Minister himself – that Frau Lüneburg was always hardworking, had no access to secret documents and was simply employed to organise the minister's social and travel diary – has weakened considerably.

The ministry in fact admitted for the first time yesterday that Frau Lüneburg had actually been cleared to deal with secret documents. It continued to insist, however, that she had not handled any.

West German intelligence is now reported to expect next to see Frau Lüneburg on East German television, an event which could prove deeply embarrassing to Herr Bangemann. The secretary had become a close friend of his family.

Some commentators in Bonn have even begun to speculate about Herr Bangemann's future, although this seems premature. The minister's chief problems, however, are that the FDP has, by switching allegiance, never been out of Government since 1969. Herr Bangemann as a coalition party leader, also belongs to the most secret body in the country, the Federal Security Council.

By remaining close to a senior FDP politician, Frau Lüneburg would have been very close to government thinking for 12 years. In the year that Herr Bangemann has been Economics Minister, she may well have had access to oral information about East-West trade, arms sales and trade in sophisticated technology.

Frau Lüneburg failed to return from what she told colleagues at the ministry would be a long weekend in Belgium on August 2. When police searched her home, they apparently found equipment for photographing documents. First reports said a Minox miniature camera had been found at the home, but this has since been denied.

● The West German prosecutors office confirmed late yesterday that a secretary to the association grouping people who fled to or who were expelled to West Germay after the war from East Germany and Poland has gone missing and is suspected of being an East bloc spy.

Clouded outlook as Laker nears $8m deadline

By Duncan Campbell-Smith in Jersey

JERSEY in the rain is a melancholy place. But none of the holidaymakers wandering listlessly along the wet seafront of St Helier yesterday morning presented a sadder spectacle than Sir Freddie Laker, watching the drizzle from his third floor suite at the Grand Hotel.

Today is the expiry date of the offer of $8m made to Sir Freddie last month by British Airways and its co defendants in the U.S. anti-trust case over the 1982 collapse of Sir Freddie's airline and its Skytrain operations.

As things now stand, Sir Freddie will not be receiving any of the $8m. Neither will his fourth wife, nor his seven-year old son who sat with him at the Grand Hotel, waiting for the clouds to disperse.

The offer was conditional on Sir Freddie acquiescing in every detail of the $48m out-of-court settlement to their anti-trust case which the airlines have negotiated with Mr Christopher Morris, the Laker Airways liquidator, and the plaintiff in the U.S. courts.

Just 10 minutes walk from the Grand is the Royal Court of Jersey. Thirty lawyers assembled there yesterday to begin legal proceedings over the settlement, which must be cleared in the Jersey courts, since they first registered Laker Airways. The crowded courtroom and the complexity of the hearing – which seemed likely to continue in camera for two or three days – testified again to the repeated efforts which Sir Freddie has made to block the settlement.

And it was confirmed in the Royal Court that Sir Freddie's lawyers have already made an application to the English court of appeal against the Vice Chancellor's rejection of his arguments in the High Court last week.

Such repeated setbacks have begun to leave Sir Freddie looking a rather lonely figure, as the legal machinery of the settlement grinds slowly on. He has expressly undertaken to the courts not to discuss the progress of his various appeals; but he made clear yesterday that he was wasting none of his energy on self-pity. Of course, said Sir Freddie, he had to acknowledge it was a sad predicament that he was facing the expiry of the $8m offer – but then, it was always "totaly incapable of acceptance" anyway.

He had been asked to give assurances on behalf of Lonrho a joint venture partner in the past, which he was simply not able to provide, Sir Freddie explained. This – and the fact that no one from the airlines would come and talk to him – had made the $8m an impossible offer from the start.

"I have asked three times, once in writing, since July 12 for an opportunity to discuss the terms of the offer," said Sir Freddie. "And three times, BA have said no. No one wants to see BA privatised more than me – but not at my expense."

Mr Bill Park of solicitors Linklaters & Paines, who has spent since last November negotiating the settlement on behalf of BA, met Mr John Beveridge QC, Sir Freddie's counsel, for lunch at the Grand. But Mr Park insisted that further discussion about Sir Freddie's attitude was out of the question. "The airlines made their position clear in the letter of July 11 (proposing the $8m payment) and we are not departing from that," said Mr Park.

"I am here and I am happy to talk," insisted Sir Freddie at the Grand. "We could easily find a way around the obstacles which are left." But the Lonrho link is not the only obstacle he has in mind. Sir Freddie remains anxious, for example, that his failed airline should be seen to have paid off all its 1982 debts. No demand could be better calculated to set the whole tortuous settlement negotiations back to square one.

Even Sir Freddie agrees that more time would be needed to accomodate his wishes.

THE LEX COLUMN

A question of Enterprise

One of the least satisfactory of recent takeover struggles seems on the way to resolution, with the recommendation by the board of Saxon Oil of a cash offer by Enterprise of 540p a share. That the Saxon board only made the recommendation in a flurry of bad grace, after 10 hours closeted together and divided down the middle, was par for the course and can only confirm people in the belief that a company's future is best decided by its owners rather than by its managers.

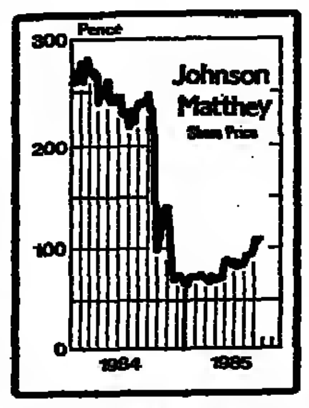
At least, a firm offer from Enterprise will bring a measure of reality to the Saxon share price, which has spent the last week bobbing up and down according to the rumours of the temperature in the Saxon boardroom. This has been the main objection to the situation: in insisting on a board recommendation, Enterprise has confined the adjudication of the merits of its offer to those shareholders represented on the Saxon board. That certain of these shareholders were more attracted by a cash offer from Enterprise, rather than the more distant benefits arising from a Saxon-Charterhouse merger, is no particular surprise in today's oil market.

It was argued last week that Enterprise could not hope to trump such a popular idea as the Charterhouse merger without the support of the Saxon board. This was not convincing then and is even less so now. A decent offer is a decent offer, provided all the shareholders get a chance to consider it. Meanwhile, a recommendation from a board so divided as Saxon's evidently is can scarcely carry much weight with shareholders inclined to look to it for guidance.

As for Enterprise, it may have chosen this eccentric route for fear of compromising its own protection against takeover through the Government's special share. But that is a further argument against golden shares. Last night's announcement may be comfort of a sort to the board of Bell's. That company has only one dissenting director; Saxon looks to be riven in two.

Building societies

Those friendly neighbourhood building societies have become rather more financially cosmopolitan in the last year or two. Only last week three UK building societies approached the Euromarkets for medium term sterling facilities and won their money on extremely fine terms; for Bradford and Bingley, for instance, just ⅛ of a point over Libor. With Libor at around 11 per cent, the B & B must be saving at least 4 percentage points compared with its top-paying term retail deposits.



For Eurobankers, British building societies are one of the best credits around. At the moment, at least, all their lending is secured and their bad debt experience is negligible. Even when they are allowed to lend on an unsecured basis, probably in 1987, the loans will only be allowed to take up 5 per cent of assets. At the moment, they have the same limit on borrowing in the wholesale market, unless they win permission from the Registrar of Friendly Societies. But now that they have to compete with the banks on the lending front, there must be a case for allowing them similar easy access to cheap deposits.

IDBs

The Bank of England has made its dispositions for the new gilt-edged market in the manner of a benevolent teacher auditioning for the school play. Every child that can speak the lines should be given a chance, even if the stage becomes rather cluttered and there are not enough parts to go round. Yesterday the Bank cast the supporting roles – the inter-dealer brokers and the stock exchange money brokers – in the same spirit as it had the market makers. The result is that there seems to be simply too many of everything.

The Bank's stock response to the charge that it is creating an over-populated gilt-edged market is that the market itself must determine how many participants the trading volume can support. In the case of IDBs this principle has been taken a stage further, since the Bank is also leaving the market to judge whether common ownership of a market maker and an IDB is acceptable or not. If, it argues, a conflict of interest is manifested between a market maker and an associated IDB, the other market makers will switch off that IDB's screen.

U.S. experience suggests, however, that the gilt-edged market will not be able to sustain all six of the IDBs approved yesterday, a point which R. P. Martin has tacitly acknowledged by dropping out of the running. Wall Street provides a comfortable living for only three. This is not just a matter of the market's overall capacity. With six IDBs linked up to the system, a senior market maker may be required to monitor as many as 20 separate screens on the dealing desk.

The Bank could in this instance have thinned out the numbers by following the U.S. example and insisting that no company owning a market maker should also own an IDB. While there is not much evidence that the associated companies could behave improperly without the Bank or the market cottoning on, the risk scarcely seems worth taking when there are too many IDBs already. A profusion of market makers may help to generate liquidity, but a profusion of IDBs may create nothing but confusion.

Johnson Matthey

Johnson Matthey made it clear when it announced its preliminary 1985 results that a new financing agreement with its creditor banks was all but wrapped up. What people hoped to discover from yesterday's statement was how much the terms on the loans had improved. Unfortunately, the company will only reveal that the total facility has fallen by over £200m.

Meanwhile, a lucky – and anonymous – group of investors will participate in the issue of £25m of floating-rate notes, again at an unspecified spread over Libor. Free with the notes are warrants to buy Johnson Matthey shares at 120p at any time in the next five years. Yesterday the shares closed at 110p, up 2p. In case investors are worried about the chances of making money on their warrants, they can reassure themselves by glancing at the 1985 annual report, also out yesterday. Mr Eugene Anderson, the new chief executive, has already bought shares now worth about £1m for himself and is currently asking shareholders' approval for an executive share option scheme.

Argument grows over BBC vetting

By Helen Hague, Labour Staff, in London

CONTROVERSY OVER the vetting of some BBC staff by the UK counter-espionage service MI 5 grew yesterday as the corporation acknowledged that the system was in operation.

Broadcasting unions have requested an immediate meeting of the BBC's National Joint Council, the corporation's union-management forum, on the vetting issue.

Failure to secure a "satisfactory response" from management will result in BBC unions drawing up a joint campaign of action, Mr Harry Conroy, general secretary of the National Union of Journalists (NUJ), said after an emergency meeting of the union's executive yesterday.

The BBC yesterday issued a statement saying that the "so-called" vetting system of BBC staff was introduced at the request of the corporation in 1937 – and had continued under successive administrations.

It has been steadily reduced since 1945, and now "only relatively few members of staff go through the procedure," according to the corporation.

Those who do so are "necessarily involved in sensitive areas or require access to classified information."

The statement – issued by the BBC after a board of management meeting, continues: "Even these numbers are kept under continuous review. The desire is to reduce them even further. Only the BBC decides who to appoint to any post within the corporation or whether to invoke the vetting procedures.

"No external agency has a right of veto on the appointment or promotion of any member of staff."

The NUJ – which is seeking an urgent meeting with the Home Secretary over the present crisis within the BBC – believes it can make a prima facie case that BBC management has deliberately sought to deceive the unions over the vetting issue over a long period.

The journalists' union has also demanded that the BBC board of governors intervene in the controversy "by using its much-publicised desire to supervise management."

Mr Conroy said: "This union believes that evidence of serious malpractice in administration by management is precisely the sort of issue on which the governors should intervene."

Broadcasting unions have already arranged to hold a conference on the implications of the banning of the "Real Lives" documentary

Rothmans denies last-minute counterbid for Arthur Bell

BY LISA WOOD IN LONDON

ROTHMANS International, the South African-controlled cigarette group, yesterday firmly squashed widely circulating rumours that it was making a last-minute counterbid for Arthur Bell & Son, the Scotch whisky distiller.

Bell, which is making a fierce fight against the £360m ($504m) bid by Guinness, the Irish-based diversified brewing group, made no statement at the weekend that would have dampened the speculation that Rothmans was emerging as a white knight.

Sir Robert Crichton-Brown, chairman of Rothmans International, said in a brief statement yesterday, however, that, although a conversation took place on Thursday last week with the chairman of Bell, "that company was advised the same day that Rothmans had no plans or intention to proceed with any association with Bell."

The rumour of a possible counterbid had provoked a flurry of activity at Guinness whose final offer for Bell's closes on Friday. The Brewer and retailer, however, made no comment yesterday on the Rothmans statement.

It is understood that Guinness slightly increased its stake in Bell yesterday, taking its shareholding acquired on the London Stock Exchange to just over 13 per cent.

A statement from Bell said: "Bell was pleased to see the clarifying statement issued by Rothmans earlier today as Bell's feels that this was the best way of conclusively refuting the rumours that to Bell's surprise had been extensively reported in the press over the weekend." A spokesman for Bell declined to say whether or not another possible counterbidder was emerging.

The possible South African connection involving Rothmans was one factor that provoked Mr David Steel, leader of Britain's Liberal Party, to urge Bell's shareholders to accept the Guinness offer.

Mr Steel, MP for a Scottish constituency, said it would be cynical for Mr Raymond Miquel, chairman of Bell, to be dealing with an alternative bid that would come to nothing since possible referral to the UK Monopolies and Mergers Commission could result in all offers collapsing.

There was a further complication, he said, because Rothmans was extensively involved in South Africa. Mr Steel added that, when Guinness took over a business in his own constituency, he had been impressed by the independence of local management and the progress of investment proposals.

See Lex

UK rail dispute worsens with more services hit by strikes

BY DAVID BRINDLE IN LONDON AND ROBIN REEVES IN CARDIFF

BRITAIN'S rail dispute, which has arisen over plans to run driver-only trains, worsened yesterday as more commuter services around London were disrupted by unofficial industrial action.

Prospects of the two sides in the dispute achieving any breakthrough at their meeting today looked bleak last night as relations between British Rail, the state-owned employer, and the National Union of Railwaymen (NUR) became more hostile.

British Rail went ahead with its threat to dismiss almost all the 90 guards at the Margam and Llanelli depots in South Wales after only four broke their strike over driver-only train operation and returned to work.

This prompted a walk-out by the 98 guards based at Severn Tunnel Junction, an important marshalling yard for freight services to and from Wales and South-west England. Union officials predicted a "major impact" on freight working on British Rail's Western region.

On the Southern region, the driver-only row caused serious disruption for the first time yesterday as guards took sympathy action and halted up to 50 per cent of commuter services to and from London's Victoria and London Bridge stations during both the morning and evening peaks.

BR expected this disruption to end today.

British Rail sees its plans for driver-only trains, removing the guard, as central to its hopes of future productivity improvement in the face of increasing competition from road transport. BR first mooted the change nine years ago and has accused the NUR of dragging its feet. BR claims that driver-only operation would save £27m ($38m) annually after five years.

The NUR, which represents guards, has emphasised the safety issue in its fight against driver-only operations. The union is also concerned about future job losses

Editorial comment, Page 12

Warsaw's boardgame capitalists

Continued from Page 1

the co-operative which remits their 6 per cent turnover tax and company tax to the finance authorities. The latter can go up to 85 per cent depending on earnings. Their fixed profit margin on the games, which sell at zloty 695 ($4.60) is about 30 per cent.

Until now there had been little competition in the booming Polish games market because, as Mr Ellert explained, it required expensive offset printing machinery. Like other university graduates in Poland he decided to forgo an unrewarding career in state industry after graduating from the School of Economics and went into business with his father.

Many other private businessmen, including so-called Polonian firms run by Westerners of Polish descent, who have set up shop since the economic reform began in 1982 have been interested in quicker profits. They concentrated on producing items such as costume jewellery for women or scarce car accessories which are sold at a high profit.

Several of the Polonian companies have been accused of skimming off scarce materials from state companies as well as evading taxes. The businessmen claim they pay taxes averaging 85 per cent of profit, which are said to average 7 per cent of turnover instead of the 35 per cent cited by the Finance Ministry.

Instead of exporting Polish made goods to the West, as was hoped, the private manufacturers sell only 5 per cent of their output for hard currency. The enormous gaps and deficits in the domestic Polish consumer market are easier to fill. Undoubtedly the owners of the Polonian companies stir up considerable envy and animosity as they drive their Mercedes cars with special green licence plates across the Polish countryside.

Polish economists say the private entrepreneurs do so well because of the ambiguous state of private business in Poland.

World Weather

		°C	°F			°C	°F			°C	°F			°C	°F
Ajaccio	S	27	81	Dubrovnik	S	30	86	Malaga	S	27	81	Salzburg	F	22	72
Akrotiri	S	29	84	Faro	S	28	82	Malta	S	31	88	Seoul	F	33	91
Algiers	S	32	90	Florence	F	30	86	Manila	C	32	90	Singapore	F	30	86
Amsterdam	F	18	64	Frankfurt	F	22	72	Miami	C	32	90	Stockholm	C	22	72
Athens	S	32	90	Funchal	C	25	77	Milan	S	26	79	Strasbourg	C	25	77
Bahrain	S	41	106	Geneva	F	27	81	Moscow	F	25	77	Sydney	F	14	57
Bangkok	S	33	91	Gibraltar	S	30	86	Munich	F	24	75	Taipei	S	30	86
Barcelona	S	28	82	Guernsey	C	15	59	Nairobi	C	21	70	Tangier	S	24	75
Beirut	F	29	84	Helsinki	F	23	73	Naples	S	32	90	Tehran	–	–	–
Belgrade	S	25	77	H. Kong	F	32	90	New Delhi	C	29	84	Tel Aviv	S	29	84
Berlin	S	21	70	Innsbruck	F	23	73	New York	C	26	79	Tenerife	S	25	77
Biarritz	S	24	75	Inverness	F	17	63	Nice	S	26	79	Tokyo	F	30	86
Blackpool	C	16	61	Istanbul	S	26	79	Oporto	C	22	72	Toronto	S	25	77
Bordeaux	C	22	72	Jersey	C	15	59	Oslo	C	18	64	Tunis	S	31	88
Brussels	C	20	68	Jo'burg	F	17	63	Paris	C	20	68	Valencia	S	30	86
Budapest	F	23	73	Las Palmas	S	25	77	Prague	F	21	70	Venice	S	25	77
B. Aires	S	15	59	Lima	C	18	64	Reykjavik	S	13	55	Vienna	F	21	70
Cairo	S	33	91	Lisbon	S	27	81	Rio de J'o	C	34	93	Warsaw	S	14	57
Cape Town	–	–	–	Locarno	S	24	75	Rome	S	27	81	Zurich	S	24	75
Caracas	C	27	81	London	S	18	64								
Casablanca	S	25	77	Los Angeles	C	26	79								
Copenhagen	S	15	59	Luxembourg	C	21	70								
Corfu	S	30	86	Madrid	S	34	93								
Dublin	C	16	61	Majorca	S	30	86								

Readings at mid-day yesterday:

C–Cloudy D–Drizzle F–Fair Fg–Fog R–Rain S–Sun Sl–Sleet Sn–Snow T–Thunder

S Africa cuts rate

Continued from Page 1

a strike by gold and coal miners threatened for August 25.

The NUM revised demands to the chamber at the talks. A statement issued later said the union still wanted pay increases but had dropped demands for shorter hours and longer holidays.

Talks between the NUM and the chamber, which represents employers, are planned again for tomorrow, according to Mr Cyril Ramaphosa, NUM general secretary.

"The Union's revised position is not only reasonable but indicates a clear intention to reach settlement with the chamber," the NUM statement said.

Michael Holman adds from Pretoria: Leading South African churchmen met Mr Botha yesterday to express fears of a "further escalation" of the country's violence but emerged in a pessimistic mood.

Archbishop Dennis Hurley of Durban, part of the nine member Catholic, Methodist, and Presbyterian delegation which Bishop Desmond Tutu, the Anglican Bishop of Johannesburg, had declined to join, told journalists afterwards: "The two perceptions of South African reality were so different that we barely began to communicate at all."

Row grows over Greenpeace sinking

Continued from Page 1

self from an alleged covert operation that led to the blowing up of the Rainbow Warrior through his declaration on Sunday night warning that any intrusion into French South Pacific waters during nuclear testing would be met by force. This underlines the long-standing French policy that France will brook no obstacles to its testing in the South Pacific.

The controversy over the sinking of the Rainbow Warrior is now eclipsing the Government's other difficulties in getting approval for legislation to give more regional autonomy to its Pacific territory

SECTION II – INTERNATIONAL COMPANIES
FINANCIAL TIMES
Tuesday August 20 1985

Holzmann expects reduced contracts

By Our Financial Staff

PHILIPP Holzmann, the West German construction group, says work completed this year could fall to around DM 7.0bn ($2.54bn) after DM 8.13bn in 1984.

Management board spokesman Hermann Becker told a shareholders meeting that domestic orders in the first seven months fell to DM 1.17bn from DM 1.20bn in the previous corresponding period. Foreign orders on hand, excluding the U.S., fell 13.9 per cent to DM 1.7bn.

The industry continues to be hit by slack domestic demand, tough competition abroad and a fall in building orders from Opec states.

West German construction industry activity for 1985 was likely to fall by 6.0 per cent from 1984, Herr Becker said. Holzmann group net profit for 1984 was DM 42.08m down from DM 48.7m in 1983.

Domestic work completed in the seven months fell to DM 1.1bn after DM 1.5bn in the 1984 period, partly due to the harsh winter. Holzmann said it was no longer possible to offset shrinking domestic demand with increased foreign orders.

Foreign work completed in the seven months, excluding the U.S., fell to DM 800m from DM 1.7bn. Total completed this year should be around DM 1.5bn.

K mart blames retail slump for sharp fall in income

BY WILLIAM HALL IN NEW YORK

K MART, the second largest retail chain store in the U.S. yesterday reported a 48.2 per cent drop in second-quarter net income to $78.4m, or 58 cents a share.

The company has made a number of major acquisitions in the past 12 months.

It attributes the sharp fall to general weakness in the retailing industry and a 1.5 per cent decline in year-to-year sales at the company's K mart discount stores. Also net interest charges jumped from $19.1m to $46.1m in the latest quarter, reflecting the financing costs of acquisitions.

The latest profits compare with $144.4m or $1.11 a share a year ago, and take profits for the first six months of the current fiscal year to $133.3m or $1.04 a share, against $202.4m or $1.56. K mart shares shed $¼ to $33¼ in early trading yesterday on the New York Stock Exchange.

K mart's total sales in the second quarter rose 8.1 per cent to $5.46bn and for the six months they rose by 13.2 per cent to $10.44bn. If new store openings are excluded, sales in comparable K mart stores rose 3.8 per cent in the first half of the year. In the first quarter they were up 10.2 per cent.

The company had warned in February that its fourth-quarter earnings were going to be below expectations, ending 2½ years of unbroken growth in quarterly earnings. At the time it blamed "an industry-wide overstocked condition" which had led to massive clearance sales throughout the entire country, and forced greater markdowns on goods than expected.

Mr Bernard Fauber, K mart chairman, warned yesterday that "the third quarter will most likely be a continuation of the second quarter." However, he expects the pace of sales and earnings to improve in the all-important fourth quarter, which normally accounts for around a third of the group's annual sales and half its net income.

Last year K mart acquired Waldenbrooks, the biggest bookstore chain in the U.S., pay less drugs Northwest, a large drug store chain, and Builders Square home improvement centres. It estimated that these investments would add $2bn to its annual sales of $21.1bn. The company announced at the start of 1985 that it planned to open 200 new stores in the current financial year, over half of which were expansion of the recent acquisitions.

The company said yesterday that during the second half of 1985 it expected to open around 91 units.

Hewlett profits dip 13% to $117m

By Terry Byland in New York

HEWLETT-PACKARD, the U.S. electronics and computer manufacturer, has returned a reduced sales growth rate for the third quarter following a significant slowdown in international business, especially in Europe.

Net earnings dipped by 13 per cent to $117m or 45 cents a share in the quarter, continuing the slide seen in the first half of the year. Sales, at $1.6bn, were 3 per cent up, but this contrasted with gains of 20 per cent and 10 per cent in the first and second quarters respectively.

Orders in non-U.S. markets tumbled by 20 per cent to $573m in the quarter, a sharper decline than anticipated, according to Mr John Young, president and chief executive of the company, which is based in Palo Alto, California. U.S. orders, 7 per cent down at $905m, remained flat, said Mr Young, adding that any forecast of an upturn would be "premature."

At the nine month stage, Hewlitt's earnings are 5 per cent off at $362m or $1.48 a share, while revenues are 11 per cent ahead at $4.8bn. International orders for the nine months are 4 per cent up at $2.1bn, and U.S. orders down 2 per cent at $2.7bn.

The setback in international sales in the third quarter, while not entirely unexpected, is a serious disappointment for the group, where profits were still rising sharply at the beginning of the fiscal year, on the back of a strong performance in non-U.S. markets. In the first quarter, foreign orders jumped by more than 20 per cent to $795m, spurring earnings ahead by 17 per cent.

In fiscal 1984, ending October, Hewlitt reported earnings of $547m or $2.13 a share, after eliminating a one-time tax gain of $118m, on sales 28 per cent ahead at $6bn.

Squeeze on margins reduces first half earnings at DSM

BY LAURA RAUN IN AMSTERDAM

SQUEEZED PROFIT margins sent earnings of DSM, the Dutch state owned chemicals company, tumbling 27 per cent to Fl 212m ($68.4m) in the first half compared with Fl 289m a year earlier.

Sales rose 11 per cent to Fl 13.9bn in the first six months from Fl 12.5bn, aided by higher export sand prices, with all divisions posting higher turnover.

DSM reiterated its forecast that net income for all of 1985 would fail to match last year's record level of Fl 483m, and forecast that it would amount to between Fl 350m and Fl 400m. The cyclical sensitivity of DSM's product mix will leave margins between sales prices and raw materials costs under pressure, notably in plastics, the Heerlen-based company said.

Mr Loek Liftuart, director of financial and economic affairs, told a press conference he was satisfied with the first half results. He said that a return of between 15 and 16 per cent was reasonable and likely to be achieved this year.

DSM has launched a programme to shift its product mix away from especially cyclical products such as bulk chemicals and toward fine chemicals, advanced plastics and super strong fibres. Up to Fl 1.8bn may be spent in the coming decade to develop these specified areas and withdraw from less profitable activities.

The expected decline in profits this year could dampen recent enthusiasm about privatising DSM, which is wholly government owned but run as a private concern, without operating subsidies. The Dutch finance and economics ministers have both suggested that DSM ought to be put into private hands, although the company itself has expressed reservations about such a move. Investors would be likely to baulk at DSM's erratic performance in recent years, with a Fl 188m loss in 1982

Rabobank fails to match rivals

By Our Financial Staff

RABOBANK, the big Dutch co-operative bank, reports modest progress for the first half of 1985 with net earnings improving by 5 per cent to Fl 333m ($107.4m).

The bank has been held in check by slow growth in loan volume, and its results compare unfavourably with those from a number of rivals, notably ABN and AmRo Bank.

Loan volume for the six months rose by 3 per cent and total revenue rose to Fl 2.07bn, against Fl 2.03bn for the first half of 1984. Interest income eased to Fl 1.74bn from Fl 1.75bn.

The bank's interim performance has been bolstered by reduced bad debt provisions. For the half year these are Fl 275m, a decline of almost a fifth on the Fl 338m of a year earlier.

Rabo said the limited increase in loan volume reflected slow growth in loans to private individuals and home mortgages. The volume of commercial loans was higher.

The bank derives about 50 per cent of revenue from mortgages and other private loans

Last week AmRo Bank raised half-year net profits by 40 per cent while at ABN earnings rose by 18 per cent. Both banks increased their interim dividends.

Washington Post moves into cable TV with $350m buy

BY WILLIAM HALL IN NEW YORK

THE WASHINGTON POST Company, the newspaper, magazine and broadcasting group, has agreed to buy Capital Cities' cable TV operations for $350m in cash, in a major diversification move.

Mrs Katharine Graham, chief executive of the Washington Post, says that the acquisition will give her company a major stake in cable TV. "After more than a decade of substantial investment, we believe the industry is in a position to deliver the kinds of returns that have been forecast for years."

Capital Cities' cable TV division had revenues of $76.3m in 1984 and operating income of 2.5m. The system has 350,000 subscribers in 15 midwestern, western and southern states.

Capital Cities is selling its 53 cable TV stations, to comply with regulatory restrictions on the common ownership of cable TV stations following its $3.5bn takeover of American Broadcasting Companies. It has said that it will also have to sell four TV stations, 15 radio stations and a daily newspaper in order to win federal approval for the ABC takeover. It expects to raise more than $1bn from these sales.

Two of Capital Cities' 55 cable TV stations, situated in Plymouth and Saline, Michigan, will not be included in the purchase because the Washington Post already owns an NBC affiliate TV Station in Detroit, Michigan.

The acquisition is a big step for the Washington Post which last year had net income of $135.2m on revenues of $940m. Last year it earned 10.40 per share and in the first six months of 1985 its earnings were 70 per cent ahead at $4.36 per share.

The acquisition will be financed by borrowings. The Washington Post estimates that first year dilution will be in the range of $1.85 per share.

Pioneer Electronic fails to break out of red

BY OUR FINANCIAL STAFF

PIONEER ELECTRONIC, the Japanese maker of audio equipment, failed to regain profitability in the third quarter to June, despite a recovery in sales.

The company, which has been in the red throughout the current year, yesterday reported a consolidated net loss for the latest three months of Y138m ($583,000) compared with earnings of just over Y1bn in the same period of 1984.

Sales grew 7 per cent to Y80.98bn against Y75.68bn, due to what Pioneer described as a domestic recovery in demand for audio equipment and the popularity of its video products.

Sales of these were also strong in Europe and the U.S., although U.S. demand for video discs had stalled unexpectedly.

At the same time prices of audio products remained under pressure, while the costs of marketing new products also had to be borne.

Overseas sales accounted for 59 per cent of the total, a decline from the 62.7 per cent level reached in the corresponding quarter last year.

For the first nine months, Pioneer's net deficit totalled Y528m against 1984 earnings of Y5.56bn.

Thrift closes operations

THE FEDERAL Home Loan Bank has closed Montana Federal Savings Bank in Kalispell, and Federal Savings and Loan Insurance will pay off approximately $29.8m in insured accounts.

The Montana thrift was closed after it was found to be insolvent and efforts to find a merger partner failed. AP-DJ

Ultramar ends plans for asset purchase

By Robert Gibbens in Montreal

ULTRAMAR CANADA will not buy the Quebec and Maritime provinces downstream assets of Gulf Canada, controlled by Olympia & York Developments.

Ultramar had been negotiating for the Gulf Canada refinery in Montreal and several hundred petrol outlets in the Atlantic provinces for several weeks, but said that its offer had been refused. Its talks were held with both Olympia, controlled by the Reichmann family of Toronto, and Gulf Canada itself. A spokesman said the talks are "dead."

Texaco Canada has said it is not interested in the Montreal refinery. Irving Oil of St Johns, New Brunswick, refused to confirm or deny it is negotiating with Gulf.

Ultramar recently upgraded its Quebec City refinery in a C$310m (U.S.$238m) programme. Industry sources had speculated that if it had bought the Gulf Canada downstream assets the Montreal refinery might have faced closure in the short term with its 77,000 barrels daily capacity.

Increased bid launched for Evening News

BY OUR FINANCIAL STAFF

TWO HOLLYWOOD producers, Mr Norman Lear and Mr A. Jerrold Perenchio, have raised their bid for the Evening News Association, the privately held Detroit media group, from $1,000 per share to $1,250.

The new bid values Evening News at $566m compared with $453m previously, and will expire on August 30 unless extended. The offer has also been amended to change the obligation on L.P. Acquisition, a subsidiary of the two producers' L.P. Media, to buy shares. This will now depend on about 51 per cent of the Evening News shares being properly tendered.

The sharp increase in the bid terms was not entirely unexpected, as Wall Street had seen the company as being put "into play" by the original bid on July 29. It is believed that other media companies have expressed interest in Evening News, which is seen as undervalued.

The company publishes the Detroit News, other newpapers, and also owns five televison and two radio stations. Messrs Lear and Perenchio implied in their prospectus for the original bid that their interest lay in the TV stations, which could provide a vehicle for their programming talents.

Baldwin settles on tax bill of $457m

By Our Financial Staff

BALDWIN-UNITED, the U.S. financial services group operating under Chapter 11 of the U.S. Bankruptcy Code, has settled about $457m in estimated claims by the U.S. Internal Revenue Service for income taxes allegedly owed by Baldwin and its subsidiaries.

The company said that the settlement "eliminates one of the major obstacles to Baldwin's reorganisation." Baldwin filed for Chapter 11 in 1983 after an over-ambitious diversification into financial services, particularly the annuity business.

Under the deal with the IRS, Baldwin said it agreed to pay $50m to the Government at the time of its first distribution to creditors as part of a reorganisation plan.

The company added that certain limits would be placed on its net operating loss carryforwards, and Baldwin would share with the IRS part of the benefits of any net operating loss carryforwards after consummation of its reorganisation plan.

The settlement is subject to approval by the Bankruptcy Court, to which the company is expected to file its reorganisation plan this week.

Insulin group in public issue

By Hilary Barnes in Copenhagen

NORDISK GENTOFTE, the world's third largest producer of insulin, has raised NKr 129m (U.S.$15.7m) through a private placement of shares in the UK and Denmark.

Announcing the amount, the company said it planned to make a public issue in 1986, when it will seek a listing on the Copenhagen Stock Exchange.

Until last year Nordisk was a self-owned foundation and was thus prevented from raising risk capital by means of a share issue. It was reorganised in 1984 with a view to a subsequent stock exchange launch.

About 75 per cent of Nordisk'a sales are from insulin. Total sales have doubled since 1981, and last year saw the bulk of this rise with a 38 per cent increase to NKr 694m.

Impala makes provision

BY KENNETH MARSTON, MINING EDITOR

SOUTH AFRICA's Impala Platinum Holdings has had to make provision for a further stock loss in its results for the full year to June 30. At half-time the company announced a stock loss of R34m ($14.2m) on purchases of metal made to meet customer requirements. That loss is increased to R59m for the full year.

It comes after large "opportunity losses" resulting from the forward sale of some 30 per cent of the company's foreign exchange revenue from platinum sales "at less favourable rates than could subsequently have been obtained."

As forecast, profits before tax are lower than in 1983-84 at R234.2m against R268.7m.

EUROBONDS

D-Mark market wins attention

BY MAGGIE URRY IN LONDON

THE D-MARK market was the central attraction in Eurobonds yesterday. Following the central bank's interest-rate cuts last week two borrowers launched deals with 6½ per cent coupons – the lowest for public issues since the late 1970s.

Late in the day Daiwa launched another dual-currency issue for Mortgage Bank of Denmark, raising Y20bn. This also has a 10-year life but pays a 7¼ per cent coupon and is issued at par. Redemption will be at an exchange rate of Y194.93 to the dollar.

Both the European Community and Finland are borrowing DM 150m at this low coupon rate. The EEC is locking into the rate for 12 years and Finland for 10. Deutsche Bank led the EEC deal, and Dresdner Bank the Finnish issue, both being priced at 99.

Demand for the paper was so great that both deals were trading above their issue prices soon after the launch. Syndicate managers noted strong demand from Swiss investors, and the discount prices were considered attractive as most D-Mark issues are now trading above par. The deals inspired the rest of the D-Mark sector, and traders reported hectic activity with prices gaining ¼ to ½ point in places.

BHF Bank bond average		
Aug 19		Previous
104.824		104.772
High	1985	Low
104.824		99.840

● By contrast the Eurodollar bond market was at a virtual standstill. Dealers reported little or no retail interest, and prices were marked up by around ¼ point at the opening to catch up with the late rally in New York on Friday night. No new deals were launched.

Deutsche Bank Capital Markets, the new London operation of Deutsche Bank, made its debut as a lead manager yesterday. In the past deals have been syndicated from Frankfurt. The issue is an Australian dollar deal raising A$30m for Industriekreditbank, the West German bank which specialises in medium-term lending. It is publicly owned, with the major German banks and insurance companies and industry large stake holders.

The bonds have a five-year life and pay a 12¾ per cent coupon. Issue price is 100¾ and fees total 2 per cent. It is expected that a large part of the issue will be placed in Germany. The deal was launched too late to trade actively.

Ford Motor Credit is again making a dual-currency Euroyen issue, only three weeks after its first deal. This is for Y25bn and comes on similar terms to the earlier issue. Redemption will be in U.S. dollars at an exchange rate of Y208 to the dollar after 10 years. The coupon, payable in yen, will be 8 per cent. Issue price is 100¹¹⁄₁₆, and once again Daiwa Europe is lead manager. With the swaps on these deals providing very cheap funds Ford must have been keen to repeat the exercise. The earlier issue, like most of the recent Euroyen dual-currency deals, is quoted bid at a 2-point discount – equal to the gross fees.

In the guilder Euronote market Wessanen, the food manufacturing group, announced a Fl 50m private placement of five-year bonds. This is the company's first Eurobond issue. The coupon was set at 6¾ per cent and issue price at 99¾ by AmRo Bank.

The Swiss franc foreign bond market was quiet but with a firmer tone. Some prices gained up to ¼ point.

Bank to write off Y64bn on Sanko

BY CARLA RAPOPORT IN TOKYO

THE Long-Term Credit Bank of Japan, one of Japan's largest banks and a main creditor of the collapsed Sanko Steamship group, expects to write off as much as 80 per cent of its Y80bn ($339m) secured loans to Sanko.

Mr Masayasu Kan, deputy president of LTCB, said in an interview the write-off would be the largest in the bank's history. Mr Kan said the loans had been secured against Sanko's ships, both tankers and bulk carriers. These ships, however, are now expected to be valued at no more than a fifth of original worth because of the dramatic plunge in the world shipping market and the excess numbers of ships worldwide.

Nonetheless, Mr Kan stressed, the LTCB intended to maintain its interim dividend for the financial period which ends next month, when the write-offs of up to Y64bn will be taken. These would be covered out of the bank's hidden reserves, which he described as "large."

Hidden reserves are largely composed of equities bought years ago but valued at their purchase price, rather than their current value.

Sanko, the world's largest tanker company, last Tuesday filed for court protection under Japan's corporate rehabilitation laws, with about Y520bn in balance-sheet debt and a similar sum estimated in future liabilities. Whether Sanko will emerge from the court proceedings in a new, slimmer form, or simply go into liquidation, will not be known for two or three months.

Until then, Sanko's future is heavily dependent on receiving emergency funds from the banks to prevent the seizure of its ships at world ports for non-payment of fuel costs and port fees.

Mr Kan said Sanko's main creditors, which include Daiwa and Tokai banks, will meet this week to discuss the issue of emergency cash-flow funds. He stressed, however, that the possible reconstruction of Sanko was not only dependent on the banks, but also the cargo owners, owners of ships which Sanko had chartered and the Japanese Government.

The Government, he said, could request the ship and cargo owners to help Sanko.

"We believe we have to co-operate as much as possible [with Sanko]. Unfortunately, there are many unknown factors, such as the possibility that cargo owners will stop entrusting their goods to Sanko. This can't be known."

Mr Kan admitted, however, that it was a kind of "chicken and egg" situation, with the company's future dependent on the cargo contracts and the cargo contracts dependent on the bank's immediate support.

Either way, some of Japan's largest trading companies and shipbuilders stand to sustain large losses over Sanko's collapse. In Sanko's 1982 scheme to build 125 fuel-efficient bulk carriers, leading Japanese trading companies were persuaded to organise the finance of the ships and then let Sanko charter and operate them. Many of these chartering contracts are now expected to fail, with the ships reverting to the trading houses.

Some of the trading companies have strong links to shipping companies, such as Mitsubishi with NYK and Sumitomo with Mitsui OSK. These trading groups could push the bulk carriers on to their affiliated shipping groups in return for other favours. But Marubeni and Nichimen, for example, have no shipping connections and may be stuck with operating the ships, selling them, or defaulting on their loans and allowing them to revert to the bank or leasing company which financed their purchase.

As for shipyards, Ishikawajima-Harima Heavy Industries (IHI) has 12 unfinished ships, while Mitsubishi Heavy Industries has eight. Mitsui Engineering, Kanasashi and Sasebo Heavy Industries also have unfinished ships on their yards.

Singapore shiprepairers to cut capacity

BY CHRIS SHERWELL IN SINGAPORE

SINGAPORE'S four largest shiprepair companies — Keppel Shipyard, Sembawang Shipyard, Jurong Shipyard and Hitachi Zosen Robin Dockyard — have agreed to a one-third cut in capacity and will reduce working to 20 days a month.

The agreement was confirmed at the weekend by Mr Lee Kuan Yew, the Prime Minister, and follows a decision by another big yard, Mitsubishi Singapore Heavy Industries, to pull out of shiprepairing altogether. The decisions are believed to affect up to 90 per cent of Singapore's total 2.4m dwt capacity.

Mr Lee made the announcement in the course of a nationally televised speech during which he roundly attacked the shiprepair industry's management and unions for acting "irrationally" during a period of decline.

Major yards had made high wage awards while their profits were falling, he said. "What is required for survival is some retrenchment plus belt-tightening and cost-cutting for those workers kept on." Management and unions would kill the industry altogether," Mr Lee warned.

The irony of this attack is that two of the yards are state-controlled, while Jurong Shipyard has a minority government stake. Hitachi Zosen Robin Dockyard is privately owned.

The shiprepair industry, previously one of Singapore's economic successes, has hit bad times as a result of lower tanker demand following the two world oil crises. In recent months the Singapore Government, which normally allows state sector companies considerable latitude in management, has pressed for greater rationalisation.

Union Carbide India omits final dividend

By P. C. Mahanti in Calcutta

UNION CARBIDE India, the 51 per cent subsidiary of the U.S. chemicals giant, has omitted its final dividend for last year, although its results show some improvement over 1983.

The company was acting to conserve resources for an impending settlement of claims following the gas tragedy at Bhopal last December. The pesticides plant there: which contributed nearly 9 per cent in 1983 to total turnover and 10 per cent the year before, has been closed under government orders.

Turnover last year totalled Rs 2.3bn ($192.5m) against Rs 2.1bn, and pre-tax profits rose to Rs 153m from Rs 147.8m.

The net result was lower, however, at Rs 82.1m, compared with Rs 93.2m, because of heavier provisions for depreciation as well as an increased charge. An interim of 5 per cent was paid earlier, against the 15 per cent total for 1983.

The polyethylene unit, which contributed nearly 17 per cent to the total sales figures in 1983, has been sold to Reliance Textiles. Other operations have also been shed.

The company has been relying heavily on its battery products division, accounting for nearly 60 per cent of sales. Competition in this sector is increasing, however.

Six-month profits decline at Overseas Union Bank

BY OUR SINGAPORE CORRESPONDENT

OVERSEAS Union Bank (OUB), the smallest of Singapore's "big four" local commercial banks, yesterday reported group net profits of S$21.8m ($9.9m) for the six months to June, down 7.6 per cent from the S$23.6m figure for the same period last year.

The results were in line with the slowdown in the island state's economy, which showed only 0.6 per cent overall growth in the first half. The other three big local banks—DBS Bank, United Overseas Bank and Oversea-Chinese Banking Corporation — have already reported lower figures.

In June OUB offered 51.2m shares in a one-for-five rights issue at S$2.50 per share to raise S$128m. The purpose was "to provide for its continuing growth," and the offer document forecast that profitability in 1985 would not be significantly different from 1984.

A smaller bank, Industrial and Commercial Bank, has meanwhile revealed that the Monetary Authority of Singapore, the island state's powerful bank regulatory agency, has withheld approval for two new directors, both sons of the third wife of the bank's late founder, Mr Tan Chim Keong.

The two were elected by shareholders last month.

The bank itself yesterday reported a 23 per cent decline in net profits for the first half, to S$8.5m.

Pegi adjusts value of BTR investment

By Wong Sulong in Kuala Lumpur

PEGI MALAYSIA, the investment company, has written off 48.4m ringgit (U.S.$19.8m) out of its 110m ringgit investment in Dunlop Holdings of the UK which it exchanged in March for shares in BTR during BTR's takeover of Dunlop.

In a statement accompanying its annual results, Pegi said the amount was written off to reflect a fair value of its investment in BTR.

Pegi announced pre-tax profits of 6.8m ringgit for the year ended March, an increase of 53 per cent, on turnover which fell 8 per cent to 27.4m ringgit.

Net profits, however, were only 940,000 ringgit compared with 1.94m ringgit previously.

Ariadne doubles net earnings

By Michael Thompson-Noel in Sydney

ARIADNE Australia, the Brisbane-based investment company headed by Mr Bruce Judge, saw a doubling of net profits, to A$10.1m (US$7.1m), for the year to June 30, and is recommending a one-for-eight bonus share issue.

Mr Judge said all divisions had traded profitably. Ariadne's largest recent investment was the A$60m purchase of a 19.9 per cent stake in Repco Corporation, the industrial group.

Interest charges rose from A$2.7m to A$3.9m.

INTL. COMPANIES & FINANCE

Northgate aims to cut debt

BY KENNETH MARSTON, MINING EDITOR

CANADA'S gold and copper-producing Northgate Exploration aims to raise C$20m (U.S.$14.8m) through an issue of common shares and gold purchase warrants.

The preliminary prospectus has been filed in Canada and the issue is to be underwritten by a group led by Canadian brokers Wood Gundy and Burns Fry.

The purpose of the fund-raising is to reduce bank debt. At end-1984 long-term debt had been lowered to U.S.$49m from U.S.$55m a year previously. It was still heavy enough, however, for interest charges to outweigh the financial contribution of the profitable Chibougamau, Quebec, mines.

As a result Northgate has incurred a loss of C$2.02m, or 19 cents per share, in the first half of this year compared with a profit of C$9.35m in the same period of 1984 when there was the non-recurring benefit of C$10.69m gains from the sale of investments.

● Campbell Red Lake Mines, Canada's major gold producer, reports second-quarter net income of C$8.81m compared with C$7.39m a year ago.

The increase reflects higher gold output as well as improved oil and gas results.

● Dome Mines returned a consolidated second-quarter net income of C$4.13m compared with a loss of C$9.36m in the same period of last year. For the first half of 1985 earnings amount to C$8.06m, or 11 cents per share.

FT INTERNATIONAL BOND SERVICE

The list shows the 200 latest international bond issues for which an adequate secondary market exists. The following are closing prices for August 19.

U.S. DOLLAR STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Amex Credit 10¾ 90	100	101¼	101¾	+0¼	+0⅛	10.48
Amex Credit 12⅝ 88	130	106	106½	+0⅜	+0½	10.16
Allant Richfld 10¼ 00	250	95⅝	96⅛	+0⅜	+1⅜	10.95
Australia Com 11¼ 00	100	102¼	102¾	–	–	10.89
Australia Com 11 95	200	101	101½	–	–	10.77
BP Capital 11⅛ 92	150	102	102½	+0½	+0⅝	10.68
Canada 11½ 90	500	105⅜	105⅞	+0½	+0⅞	[illegible]
Canadian Pac 10¾ 93	100	100¼	100¾	0	+0⅜	10.64
Canadian Pac 12½ 99	75	106¾	107¼	–0⅛	+0¼	11.46
CBS Inc 11⅝ 92	100	103⅛	103⅝	+0⅜	+2	10.68
Chevron U.S.A. 12¼ 00	800	104¾	105¼	+0⅜	+0⅝	10.67
Citicorp 11½ 95	150	† 101	101½	–0⅜	+0⅛	11.27
Coca Cola 11¾ 91	100	107⅜	107⅞	+0¼	+0¼	10.01
Denmark Kingdom 11¼ 89	100	102½	103¼	+0⅜	+0½	10.24
Denmark Kingdom 11½ 90	100	103⅜	103⅞	+0¼	+0½	10.46
Denmark Kingdom 11½ 92	100	103	103½	–0⅛	+1⅛	10.76
Denmark Kingdom 13¾ 91	100	110⅝	111⅛	+0⅜	+1⅛	10.72
E.D.F. 10 95	225	94⅞	95⅜	+0⅛	+0⅜	10.82
E.E.C. 11⅛ 90	100	103	103½	+0⅜	+0⅝	10.14
E.I.B. 12 95	200	106½	107	+0⅜	+0¾	10.82
Export Dev Corp 10 90	100	99⅝	100⅛	+0½	+0¾	10.01
Export Dev Corp 12 89	100	105¾	106¼	+0¼	+0½	10.15
Fed Dep Stores 10⅝ 95	100	99⅛	99⅝	+0⅜	+1	10.73
Ford Motor Cred 11⅜ 90	100	102⅜	102⅞	+0¼	+0⅝	10.57
Ford Motor Cred 11⅝ 95	100	† 102¼	102¾	+0¾	+1¼	11.16
Ford Motor Cred 11¾ 92	100	† 102⅜	102⅞	+0⅛	+0¾	11.15
Ford Motor Cred 12 95	100	104⅛	105	+0⅝	+1¼	11.14
Gen Elec Credit 10¼ 00	200	100⅛	101	+0¼	+0½	10.14
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

[illegible]

YEN STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Finland Republic 6¾ 00	15	104½	101	+0¼	+0⅜	6.55
Gdyr Tr & Rubber 7⅛ 95	25	99⅛	99⅝	+0¼	+0⅜	7.21
Mort Bk Denmark 7 92	10	100⅜	100⅞	+0¼	+0⅛	6.87
New Brunswick 7⅛ 95	10	101¾	102¼	+0¼	+0⅜	6.86
Swed Exp Cred Zero 90	14	72⅛	72⅝	–	–	6.64

Average price change On day +0¼ on week +0⅜

CONVERTIBLE BONDS	Cnv. date	Cnv. price	Bid	Offer	Chg. day	Prem
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Orient Leasing 5¼ 98	6/83	2680	† 92½	94½	–1¼	–4.12
Sekisui House 3 99	6/84	612	141¼	142½	+2⅝	0.72
Sony Corp 2 2000	5/85	4578	86¼	87¼	+0⅝	7.34
Sumitomo Corp 2⅞ 99	5/84	593	120¼	121¼	+0¼	2.49
Taiyo Yuden 3¼ 2000	3/85	1078	† 89½	90	+0½	–2.40
Takeda Riken 3⅜ 2000	10/84	7083	†*78	80	0	37.51
Tokyo Sanyo Elec 3½ 99	12/84	772	87⅛	88⅝	+0⅛	5.29
Toshiba Ceramics 3 2000	4/85	1734.2	89⅝	85⅛	–0⅜	15.06
Nippon Oil Co 2¼ 92 SF	3/84	1052	† 105	105¼	0	20.01
Nippon Shinpan Co 2 92 SF	3/84	801	† 100¼	100⅞	+2¼	21.00
Asics 5 92 DM	12/83	520	106	107¼	+0⅛	20.10
Sum Realty 6¼ 92 DM	2/83	338	298	299	+2¾	–1.07

* No information available—previous day's price.
† Only one market maker supplied a price.

Straight Bonds: The yield is redemption of the mid-price; the amount issued is in millions of currency units except for Yen bonds where it is in billions. Change on week – Change over price a week earlier.

Floating Rate Notes: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. C. date – Date next coupon becomes effective. Spread – Margin above six-month offered rate (†† three month; § above mean rate) for U.S. dollars. C.cpn. – current coupon. Cr. yld – current yield.

Convertible bonds: Denominated in dollars unless otherwise indicated. Chg. day – Change on day. Cnv. date – First date for conversion into shares. Cnv. price – Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem – Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

UK COMPANY NEWS

JM signs £277m refinancing deal

BY DAVID GOODHART

Johnson Matthey, the metal refining and chemicals group, wbose former banking subsidiary Johnson Matthey Bankers was rescued from collapse by tho Bank of England last year, has announced a new refinaucing agreement.

The deal, which has been signed with a syndicate of 34 banks, incorporates term and working capital facilities totalling US$387.5m (£276.7m) which are being made available to the group by way of loans in a variety of currencies and precious motals.

The new three year agreement replaces the largor financing peckage signed on November 9 which was arranged by Morgan Guaranty, the New York bank.

The term loan of £187.5m ($262.5m) represents tho group's outstanding indebtedness under the November Interim Refinancing Agreement less £75m whicb is being repaid on August 21.

Thethree year working capital facility of £89.2m ($125m), which has been provided by e small group of banks within the syndicate, repleces the £250m made available under the Interim Financing Agreement.

The banks involved include: the Bank of Montreal; Citibank; Morgan Guaranty; Trust Company of Now York; Royal Bank of Canada; Bank of Nova Scotia; Dresdner Bank; Chemical Bank; Lloyds Bank; National Westminster; and Westpac Banking Corporation.

Commenting on tho now financing arrangements, Mr Eugene Anderson, chief executive of Johnson Matthoy, said: "The success of our vigorous working capital reduction programme means that our borrowing requirements have been considerably reduced. However cost reduction, profit improvement and cash generation remain bigh priorities to reduce dobt further.

"The torms of the new medium torm financing agreement reflect the improvements in Johnson Matthey's financial position."

The company's annual report, which was seot to shareholders yesterday, states that Johnson Metthey lost £152m as a result of the JMB takeover and also had to make further provisions of £16.5m against the U.S. finished jewellery operations.

In e joint statement by Mr Neil Clarke, the chairman, and

Mr Eugene Anderson, chief executive of Johnson Matthey

Mr Anderson it is revealed that Johnson Matthey has e claim against accountants Arthur Young — which is already being sued for damages by JMB (now a wbolly owned subsidiary of the Bank of England).

The JMB writ claims damages and interest for alleged breach of contract and/or negligence in the firm's capacity as euditors and accountants of JMB for the financial years to March 1982, 1983 and 1984.

Johnson Matthey's pre-tax profit for tho year to the end of March 1985 was £20.1m on a turnover of £1.49bn. It notes extraordinary item losses of £176.3m.

The joint statement also reveals that furthor business rationalisations and disposals of certain assets are likely in 1985/86 as tho debt reduction programme continuos.

The terms of the new refinancing agreement are described as more favourablo to the company and "reflect recognition by our bankers of the improvements made in the group's financial position and the lower level of finance now required."

On the resignation of Arthur Young, Coopers and Lybrand were appointed as auditors to fill the vacancy for the year to March 31 1985. However, the board will now be recommending that Peat, Marwick and Mitcbell and Co. will be appointed the new anditors.

See Lex

Acquisition boosts Blagden to £3m midway

ON TURNOVER boosted by the acquisition of the European steel drum-making activities of City Investing of New York, Blagden Industries showed an increase in intorim taxablo profit of 56 per cent.

In the 25 weeks to June 23 1985 turnovor rose by £20.32m to £56.10m (£35.83m), of which £16.23m related to tho contribution of overseas subsidiaries acquired from March 1. Group operating profits rose from £1.99m to £3.37m, with £1.48m coming from the new acquisitions.

With net interest charges of £605,000 (£225,000) and the share of losses of related companies £9,000 (nil), pre-tax profits were up from £1.76m to £2.76m. Tho interim is boing maintained ot 3.5p net on the enlarged capital. Last year a total of 7.2p was paid from pre-tax profits of £2.97m.

Mr Ronald Sparrow, tho cbairman, says that profitability was seriously affected by the appalling weather at the beginning of tho year.

The performance of tho European containor businessos was comparable with the previous year but affected by non-recurring metters particularly the loss of production at the German plant following a fire. This bas been re-equipped and Mr Sparrow says tho board remains confident of tho longer-term potential in Europe.

The overseas results for the containers division saw pre-tax profits np to £1.67m from £229,000, on turnover of £18.89m (£2.56m). In the UK, profits fell from £1.01m to £866,000 on turnovor which rose from £13.1m to £15.02m.

The tax charge was £1.2m (£670,000) and with minorities taking £6,000 (£23,000), earnings per share came out at 6.4p against 7.5p last year. There were extraordinary credits last last time of £98,000.

Dividends took £1.03m (£502,000), loaving retained profit et £529,000 against £667,000 for the comparable period.

● comment

The acquisition of City Investing's European steel drum business may have been an ideal opportunity in Blagdan's eyes, not least because it neutralised tho potentially threatening stake held by City. Nevertheless that quantum leap was in the opposite direction dictated by perceived wisdom of earlier days wben the requirement was to move away from the dependence on a mature drum sector. Blagden was supposed to be in pursuit of a plastics or chemicals business. Actually that intention burns as bright as ever and a plastics company with good management would be ideal as it might also tackle tho problems of the existing plastics division — injection moulding lost £280,000 in the first half. However a share price which is 18p below the March striking level is a very effective wheel clamp on the company's ambitions. Blagden needs to achieve o more glamorous image to get the shares up so it can use its paper to buy more glamorous companies—a rather circular problem. At 112p the prospective p/e is 9, taking pro-forme profits of £6½m (tho reported level will be nearer to £6m) and e higb 44 per cent tax charge, which does not leave a lot of scope for a rerating. Perhaps the emphasis should be placed on a near 10 per cent yield, though, sadly for Blagden, steel drums do not fire the market's imagination.

City Site buys James Allan for £4m

City Sito Estates, tho USM-quoted property investment group, is paying £4.12m for James Allan, e Scottish shoe retailer with stores on 11 sites in Glasgow, Edimburgh and Falkirk.

City Site has also applied to the Stock Exchange for e full listing with tho aim of dealings in its shares, starting on September 16. The company is seeking a higher profile after nearly four years en the USM.

In addition, it intends to raise £2.25m after expenses by meank of an underwritten rights issue of one new ordinary share for every two held, and two new ordinary shares for every five preference shares held. The now shares will be issued at 85p. City Site's shares fell 5p to 105p yesterday.

City Site forecasts that pre-tax profit on ordinary activities would be not less than £550,000 for the year ending September 30 and that it would pay e final dividend of 0.41p, tho same as tho increased interim. In the six months ended March, the company made a pre-tax profit of £504,000.

City Site is winding np the shoe retailing business of James Allan and looking for leaseholders for its stores.

City Site has bought 76.8 per cent of Allan and has made a recommended offer to the remaining shareholders. Allan's properties have been valned independently at £4.21m. They take the City Site portfolio to £11m compared with £2.6m when it joined the USM.

Galgey bid recommended by Noble and Lund board

BY DAVID GOODHART

THE BOARD of Noble and Lund, the Gateshead-based machine tool company, is recommending to shareholders a 30p e share cash offer from the unlisted Galgcy Technical Industries and e syndicate of European private investors.

The take-over bid—which values Noblo and Lund at £1.71m —has already been accepted by some of the larger stock bolders and directors holding between them 2.1m stock units, 38.4 per cent of the total.

Mr Galgey stressed that the offor is conditional upon acceptances from holders of 65.8 per cent of tho stock. The bidders already own 4.2 per cent. If the bid is successful, Mr Galgey will becomo cbairman and Mr Alan Noble, the present chairman, will become executive president.

Noble and Lund's share price slumped as low as 12p last Mey. It closed yesterday ot 31p, up 1p.

Debenhams holders go for cash

Burton Group's successful takeover offer for Debenhams has been accepted by tho holders of 72.0 per cent of Debenhams ordinary sbares. More than half of these wore for cash rather than Burton paper.

Elections for the cash alternative, of 327p for each Debenhams share, have required the issue of 45.64m new Burton shares, representing 49.5 per cent of the total number underwritten.

Burton acquired 14.9 per cent of Debenhams shares before or during hte takeovor battle, which means thet It now speaks for 87.5 per cent of tho ordinary shares.

The cash alternative closed on Sunday and brokers to Burton are understood to havo placed some 10m Burton shares in the market yesterday in a tidying np of underwriters' holdings. The shares were placed at tho underwriting price of 445p, while Burton shares closed et 458p, np 10p.

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corre-sponding div.	Total for year	Total last year
Access Satellite†	2	—	—	3	—
Aspen Comm.‡ ......int.	1	Oct. 1	—	—	—
Antomagic‡	3.6	Oct. 27	3.6	5.6	5.6
Blagden Industries‡ int	3.5	Oct. 1	3.5	—	7.2
Hickson Intnl. ....int.	5	Oct. 1	4	—	14
Scottish Eastern ...int.	0.85	Oct. 28	0.8*	—	1.88*
Stock Conversion	0	Oct. 1	3.5	7.5	5.5
Vibroplant	5.7	Oct. 14	5	9	8

Dividends shown pence per share net except where otherwiso stated.
* Equivalent after allowing for scrip issue. † On capital increased by rights and/or acquisition issues. ‡ USM stock.

Vibroplant's return to basics is justified

VIBROPLANT continued its recovery in the second six months fellowing the decision to close its video operation. Taxable profits for the Harrogate-based plant hire company rose by 84 per cent in the period, leaving the figure for the year to the end of March 1985 up by 35 per cent.

On turnover down slightly by 1,328,000 to £19.68m, pre-tax profit rose from £1.86m to £2.51m. The drop in turnover reflected the closing of the video business. Plant hire turnover rose by 11 per cent from £17.74m to £19.68m.

A final dividend of 5.7p net is being proposed making a total payment of 9p. Last year the final was 5p with a total of 8p.

The directors say that all divisions contributed to the improvement. Greater efficiency and increased turnover resulted in trading margins better than for some years.

In the U.S., the Florida Hi-Lift Corporation performed satisfactorily and the second location in Orlando generated useful profits and provided extra scope for expansion.

The directors add that further progress was made in reducing borrowings in a period when investment in new plant was higher than in recent years.

In the first three months of the present year, Vibroplant has been trading above the levels of the previous year. Although uncertainties, such as the winter remain, the directors expect to maintain the improvement for the rest of the year.

"Looking further ahead, we now see greater scope for profitable investment and growth both at home and in tho United States, than we have for some time. The group is well placed to make the most of these opportunities," they add.

With a tax chargo of £1.13m (£960,000) and minorities taking £14,000 (£13,000 credit), net profit came out at £1.37m (£909,000) and earnings per share et 22.84p (15.15p).

There were extraordinary credits of £108,000 (£416,000 debits) being the profits for the period relating to the discontinued video ectivities. That made attributable profits £1.48m (£493,000)

● comment

Plant hire is not amongst the more comfortable businesses to be in with the construction industry in its present parlous state, so for Vibroplant to have produced a 35 per cent profits increase says much about its potential when conditions improve. The figures partly reflect the disposal of its video juke boxes venture, a disastrous attempt at diversification which Vibroplant is unlikely to repeat; but the group also succeeded in increasing its share of the virtually static and highly competitive plant hire market. It also increased plant utilisation, so cutting overheads, and reduced gearing from 40 per cent to 22 per cent over the year. This year is unlikely to see a further cut in borrowings, for the group is embarked on a rejuvenation and expansion of its fleet, but it sees further potential for progress on market share and overheads. A question mark hangs over tho size of the market itself—a severe winter could be highly damaging, especially in view of Vibroplant's northern orientation—but, weather permitting, about £2.9m looks likely. Tho shares surged 14p to 160p yesterday on a more realistic assessment of Vibroplant's prospects, but still look cheap on a multiplo of 6 after a 42 per cent tax charge.

Rise in chemicals sales helps Hickson to £7.8m

THE strength of chemical sales enabled Hickson International to lift pre-tax profits to £7.79m in the six months to the end of June 1985 from £7.02m in the samo period last year in spite of difficulties in its timber protection business.

Profits from chemicals rose 65 per cent to £4.48m (£2.71m) on turnover of £43.71m (£33.49m), although last year's profits were depressed by a strike et Hickson & Welch, a subsidiary company.

Mr M. Hopley, tho chairman, says forecasting the results for the remainder of the year is difficult. He points out, however, that there are still good opportunities for the group's products and that policies ere being directed with e view to long-term edvancement.

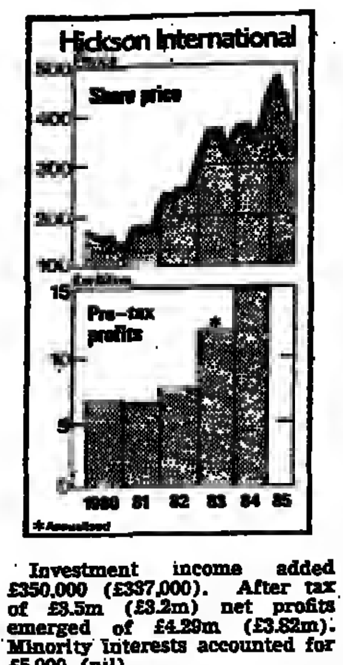
The interim dividend is being raised by 1p to 5p net to reduce disparity—a final of 10p was paid previously.

Chemical sales were strong during the first quarter and were still running ahead of last year. More recently, profit margins had been hit by higher raw materials costs which could not be recovered in selling prices because of the reletive weakness of the Deutsche Mark.

Timber protection was hit by the severe winter and the low level of construction. Pre-tax profits fell to £2.45m (£3.6m) on turnover of £18.31m (£19.75m).

Merchant distribution, the group's other main activity, had a good half yoar, making £512,000 pre-tax (£379,000).

Group turnover for the first half of 1985 rose to £74.89m (£65.59m).



Investment income added £350,000 (£337,000). After tax of £3.5m (£3.2m) net profits emerged of £4.29m (£3.82m). Minority interests accounted for £5,000 (nil).

Earnings per share were 22p (20p).

Currency movements cut overseas earnings by about £500,000, although UK operations benefited from the strengthening of sterling. The net effect was an estimeted exchango loss of £200,000 compared with the first half of last year. Looking ahoad, Mr Hopley says tho greatest uncertainty surrounds the Deutsche Mark, which bas e marked effect on worldwide selling prices.

He points ont that although cbemical exports are still profitable every 10 pfennigs increase in the sterling Deutsche Mark exchange rate reduces profit by about £250,000 a year.

However, ho adds that there are signs of o strengthening of the Deutsche Mark and, says if oil prices continue to weaken, raw material price increases may not be so severe.

● comment

Hickson's shares fell 10p to 385p yesterday following a grim interim statement. The increase in chemicals profits was wholly expected because the comparable period bad been depressed by a strike which must have taken £1m or more off tho profits line. And now cbemicals is running into margin problems in what is undeniebly a cyclical sector. Prices may have held up so far but as tha fight for market share intensifies they must give way. But unlike before, when timber treatment profits have come to the aid of flagging chemicals, the timber division has its own problems—namely increased competition and adverse currency movements. Foreign exchange markets will ultimetely decide how Hickson fares this year and even the chairman's own remark thet e 10 pfennigs increase in the sterling-D-mark rate cuts £¼m off annual profits might understate the full effect. The group could make £15½m to £16m this year, dropping the p/e to under 8½ which may seem a reasonable rating but it is higher than ICI's and for choice ICI looks the better buy.

Stock conversion tops £20m

BY MICHAEL CASSELL, PROPERTY CORRESPONDENT

Stock Conversion, tho property group in which Stockley, the Jacob Rothschild-backed property company, has acquired a 26.5 per cent stake, yesterday unveiled e set of annual results which should provide valuablo ammunition in any future bid defence.

Stockloy ecquired its stake in April and said it did not intond to make a full-scale offer for Stock Conversion for at least six months. It also said it wished to hold e "constructivo dialogue" with the Stock Conversion board, though no such contact has since been established and Stockloy's next move remains nocertain.

Pre-tax profits for Stock Conversion in the year ended March 31 1985 reached £20.6m against £17.4m, an increase of 18.5 per cent. A final dividend of 5p (3.5p) makes a total of 7.5p (5.5p). A two-for-one scrip is also proposed.

Profits after tax rose by 57 per cent to £14.5m and included a non-recurring benefit of £2.56m following an agreement with the Inland Rovenue on stock relief for earlier years. On e normal tax charge basis, earnings per share rose from 16.84p to 22.31p.

An internal revaluation of the group's investment portfolio—in the 1984 balance sheet et £198m—throws up a £17m surplus and e net asset value per share of 536p. Tho figure does not include the increased value of Finsbury Court (50 per cent owned) since it was fully let, the development potential of certain properties or of dealing properties held et cost or market value, whichever is the lower.

Mr Harry Norris, chairman, emphasised that the increase in dividend did not form part of any defensive move and said that Stockley had made no approach for board representation. Any such initiative, he added, would not be welcomed as it would be principally designed to provide Stockley directors with further information on Stock Conversion.

The chairman revealed that, shortly after Stockley ecquired its stake in Stock Conversion, the Stock Conversion directors eppointed Lazards, tho merchant bank, to edvise them in the event of any takoover battle.

Mr Jonathan Lane, joint managing director of Stock Conversion, said the group wanted to acquire more property in London, as well as good suburban offices, and additional retail investments. The acquisition of other quoted companies or propety portfolios remained a principal objectivo.

Low & Bonar takes $21m U.S. option

Low & Bonar, the Dundee-based packaging, ongineering and textile group, said one of its Canadian subsidiaries had acquired an option which could lead to tho ecquisition of a 79.5 per cent interest in American Packaging Corp for U.S.$21m (£16m). However, the option is the subject of legal ection.

The subsidiary, 75 per cent owned Bonar Inc, has ecquired tho option from APBI-Delaware and it is subject to a minority shareholder's continuing option to acquire from APBI up to 9.5 per cent of American Packaging's shares for $1.35m.

However, the minority bolders alloge prior rigbts in purchase of APBI's interests—a claim denied by APBI

American Packaging is involved in the high quality consumer flexible packaging industr

UK COMPANY NEWS

Access Satellite surges to £1.89m

WITH 1984/85 pre-tax profits up by 37 per cent and further solid progress predicted in the current year Access Satellite International is lifting its dividend 1p above forecast to 3p net, the final being 2p.

Profits for the year, to April 30, 1985, rose from a pro-forma £1.38m to £1.89m pre-tax.

The group, a manufacturer of work platforms for use in construction and civil engineering, came to the USM last November via an offer for sale by tender.

Mr Martin Wardman, the chairman, says the current year should show further solid progress—sales in the first quarter were substantially ahead of the comparable period last year. He adds that export activities are continuing to expand and are expected to include sales to new distributors in Canada, Europe and the Far East.

In January of this year Access Satellite commenced a hiring operation in certain areas of the U.S. to supplement its cash sales to distributors there. A material number of machines were hired out to potential distributors shortly before the year end and are expected to be converted into sales in the near future.

Outline agreement has been reached with a major national financial institution for the financing of distributor purchases from Access throughout the U.S.

● comment

A cloud of adverse publicity marred the flotation of Access Satellite International last November but the shares nonetheless opened at a premium of 25p on the 160p offer price. The market yesterday was not so indulgent and the shares shed 25p to 190p; profits fell somewhat short of the £2.5m some had predicted and investors were miffed at seeing their confidence in the company rewarded with a drop in earnings per share. The company remains one over which some question-marks hang. The factory has been built on optimistic foundations with a capacity to produce 60 platforms a week but with an actual output of six. Net debt today is the same as it was a year ago but in the meantime the £1.9m raised by the flotation has been spent. There are also qualms in some quarters over the way in which 90 of the 157 platforms sold last year were management sales to financial institutions linked in one way or another with Access Satellite. The company's big hopes are pinned on the U.S. market, which is apparently rather more receptive to its novel product than Britain. If sales and hiring contracts snowball as Access Satellite expects them to, £4m could be in prospect this year, putting the shares on a prospective p/e ratio of 12½ after a 40 per cent tax charge.

Kingsnorth Trust gets £0.5m cash injection

By Charles Batchelor

Bestwood, the investment holding company, is strengthening the management and finances of Kingsnorth Trust, its mortgage loan subsidiary, with the aim of applying to the Bank of England for a deposit taker's licence.

Bestwood began developing a financial services arm following the arrival of Mr Tony Cole, former managing director of Atlanta Investment Trust, as a substantial shareholder and chairman earlier this year.

It is injecting half of the proceeds of its recent £1m rights issue into the company, changing its name to Atlanta Trust and making it part of its financial services division.

Mr Cole has become chairman while Mr Bill Brownsey, formerly a managing director of Cater Allen, the discount house, has become deputy chairman. Two other new board members have been appointed.

Bestwood announced last month that it was buying Kingsnorth and Fleet Services, an engineering company, as well as the fund management and unit trust activities of Atlanta, in a £1.4m deal.

The Bank of England revoked Kingsnorth Trust's licence to take deposits in February, preventing it from taking or renewing any deposits or making new loans. The action was apparently taken out of concern at the trust's connections, since severed, with Kingsworth Bank, which went into voluntary liquidation in 1984.

Kingsnorth Trust plans to use £200,000 of its new capital to repay its depositors. This will be done by the end of this month, subject to Bank of England consent.

Rock well ahead at six months and more growth seen

Rock, a dealer in engineers' consumable supplies, returned sharply higher profits in the first six months of 1985 and the directors are expecting the second half to show further growth.

At the pre-tax level profits surged from £22,852 to £95,318. The results were in line with expectations and reflecting continued growth by the Vanstock division and recovery in the small tools sector.

Vanstock was set up following a reorganisation of the Rock Motor Parts subsidiary. In his report on the 1984 year Mr Robert Clarke, the chairman, told shareholders that Vanstock could already claim to be a major force in its specialised market and further substantial growth was anticipated.

For 1984 Vanstock achieved sales of a little under £500,000. In the first quarter of the current year its sales were almost double those of the previous year's opening quarter.

Group sales for the first six months of 1985 declined from £3.11m to £2.88m. Earnings per 10p share emerged at 0.58p, compared with a previous 0.14p.

Rock recently acquired the business and certain assets of Longford Tools & Distribution from Williams Holdings. The directors say the business acquired both extends the geographical coverage of the small tool division's activities and provides a rationalisation opportunity, where Longford's Birmingham branch is in the process of being merged with that of Irving White, another group business.

A circular regarding the acquisition will be sent to shareholders shortly.

● comment

Supplying traditional metal bashers with spare parts is hardly the most glamorous of growth areas, but when the new management took over a couple of years ago it had the novel idea of operating franchises within the Vanstock wholesale side, and the policy is now coming good for Rock. The Vanstock franchise business accounted for about half of the increase in interim profits, and has another three years of growth before it hits a plateau on returns. The small tools business, on the other hand, has still more potential, especially when coupled with the modern marketing techniques which are promised. It will spend some £200,000 over the next four or five years on updating computerised stock control and sales processing equipment. At the same time, there is still around £1.5m worth of tax to be written off, so that all of the growth envisaged this year—when it should make £300,000—will come through to the attributable level. All of which is good news for shareholders, who have not had a dividend since 1979. They can expect a resumption, at the very latest, for the 1986 interim, or even a small final this time, if the long awaited capital reconstruction is ready in time. Given this future promise, the shares at 14p looked good value yesterday.

Aspen lifts profits by 89% to £440,000

Aspen Communications increased pre-tax profits by 89 per cent to £440,000 in the six months to June 30 1985 compared with £233,000 in the first half of last year in its first results since a USM flotation in April.

Earnings per share increased 83 per cent to 4.32p (2.36p). The interim dividend is 1p, in line with the forecast.

Mr Henry Meakin, chairman of the group based in Cirencester, Gloucestershire, which spans magazines, videos, radio telephones and computer forms, says overall prospects for the year remain satisfactory.

"Plans for profitable growth are firmly directed with the prospect of appropriate acquisitions playing their part," he says.

Turnover increased to £3.88m (£3.17m). Tax took £154,000 (£88,000) and minorities £17,000 (£7,000) giving a net profit of £269,000 (£138,000). After the dividend payment of £67,000 retained earnings will be £202,000 (£138,000).

Mr Meakin says the Pensford Press and Penblade magazine printing and publishing division grew slower than planned because of lower second-quarter volumes. But the prospects for the rest of the year are improving, he says, and plans for expansion are nearly complete.

Walker Computer Forms performed well and, for the first time, was a significant contributor to profits.

BASE LENDING RATES

A.B.N. Bank	11½%	Heritable & Gen. Trust	11½%
Allied Dunbar & Co.	11½%	■ Hill Samuel	§11½%
Allied Irish Bank	11½%	C. Hoare & Co.	11½%
American Express Bk.	11½%	Hongkong & Shanghai	11½%
Henry Ansbacher	11½%	Johnson Matthey Bkrs.	11½%
Amro Bank	11½%	Knowsley & Co. Ltd.	12 %
Associates Cap. Corp.	12 %	Lloyds Bank	11½%
Banco de Bilbao	11½%	Edward Manson & Co.	12½%
Bank Hapoalim	11½%	Meghraj & Sons Ltd.	11½%
BCCI	11½%	Midland Bank	11½%
Bank of Ireland	11½%	■ Morgan Grenfell	11½%
Bank of Cyprus	11½%	Mount-Credit Corp. Ltd.	11½%
Bank of India	11½%	National Bk. of Kuwait	11½%
Bank of Scotland	11½%	National Girobank	11½%
Banque Belge Ltd.	11½%	National Westminster	11½%
Barclays Bank	11½%	Northern Bank Ltd.	11½%
Beneficial Trust Ltd.	12½%	Norwich Gen. Trust	11½%
Brit. Bank of Mid. East	11½%	People's Trust	12½%
■ Brown Shipley	11½%	PK Finans. Intl. (UK)	12 %
CL Bank Nederland	11½%	Provincial Trust Ltd.	12½%
Canada Permanent	11½%	R. Raphael & Sons	11½%
Cayzer Ltd.	11½%	Roxburghe Guarantee	12 %
Cedar Holdings	12 %	Royal Bank of Scotland	11½%
■ Charterhouse Japhet	11½%	Royal Trust Co. Canada	11½%
Choulartons**		■ J Henry Schroder Wagg	11½%
Citibank NA	11½%	Standard Chartered	‖11½%
Citibank Savings	¶12½%	TCB	11½%
City Merchants Bank	11½%	Trustee Savings Bank	11½%
Clydesdale Bank	11½%	United Bank of Kuwait	11½%
C. E. Coates & Co. Ltd.	12 %	United Mizrahi Bank	11½%
Comm. Bk. N. East	11½%	Westpac Banking Corp.	11½%
Consolidated Credits	11½%	Whiteaway Laidlaw	12 %
Continental Trust Ltd.	11½%	Williams & Glyn's	11½%
Co-operative Bank	*11½%	Yorkshire Bank	11½%
The Cyprus Popular Bk.	11½%		
Duncan Lawrie	11½%		
E. T. Trust	12 %		
Exeter Trust Ltd.	12 %		
First Nat. Fin. Corp.	13 %		
First Nat. Secs. Ltd.	13 %		
■ Robert Fleming & Co.	11½%		
Robert Fraser & Ptns.	12½%		
Grindlays Bank	‡11½%		
■ Guinness Mahon	11½%		
■ Hambros Bank	11½%		

■ Members of the Accepting Houses Committee.
* 7-day deposits 8.00%, 1 month 8.50%. Top Tier—£2,500+ at 3 months' notice 11.25%. At call when £10,000+ remains deposited.
‡ Call deposits £1,000 and over 8% gross.
‖ 21-days deposits over £1,000 8.25%.
¶ Mortgage base rate.
** See Provincial Trust Ltd.
§ Demand deposits 8%.

COMPANY NEWS IN BRIEF

CHEMICAL METHODS Associates, which is incorporated in California, reports pre-tax income down from $126,100 to $15,300 in the six months to June 30 1985. This was after general and administrative expenses up from $856,600 to $859,700, and sales and marketing expenses of $699,100 ($796,100). Sales were down from $5.04m to $4.74m, and total revenue was slightly lower at $5.2m against $5.4m. The directors says the second half should show positive results.

LONDON TRUST, now under the management of U.S. venture capitalists Hambrecht & Quist, has sold its 13.2 per cent stake in Elswick-Hopper, the bicycle makers.

CHARLES SHARPE, the seed grower and merchant, said yesterday that discussions with an unnamed party about a possible offer for the company had now reached an advanced stage and a further announcement was expected very shortly. Sharpe's shares rose steeply on the news, closing last night at 500p, up 105p on the day.

BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether the dividends are interim or finals and the sub-divisions shown below are based mainly on last year's timetable.

TODAY

Interims—De Beers Consolidated Mines, Fife Indmar, Fleming Mercantile Investment Trust, Gaskell Broadloom, Alfred McAlpine, Metal Bulletin, Nineteen Twenty-Eight Investment Trust, Olives Paper Mill, Queens Moat Houses, Rentokil, Standard Chartered, Supra.

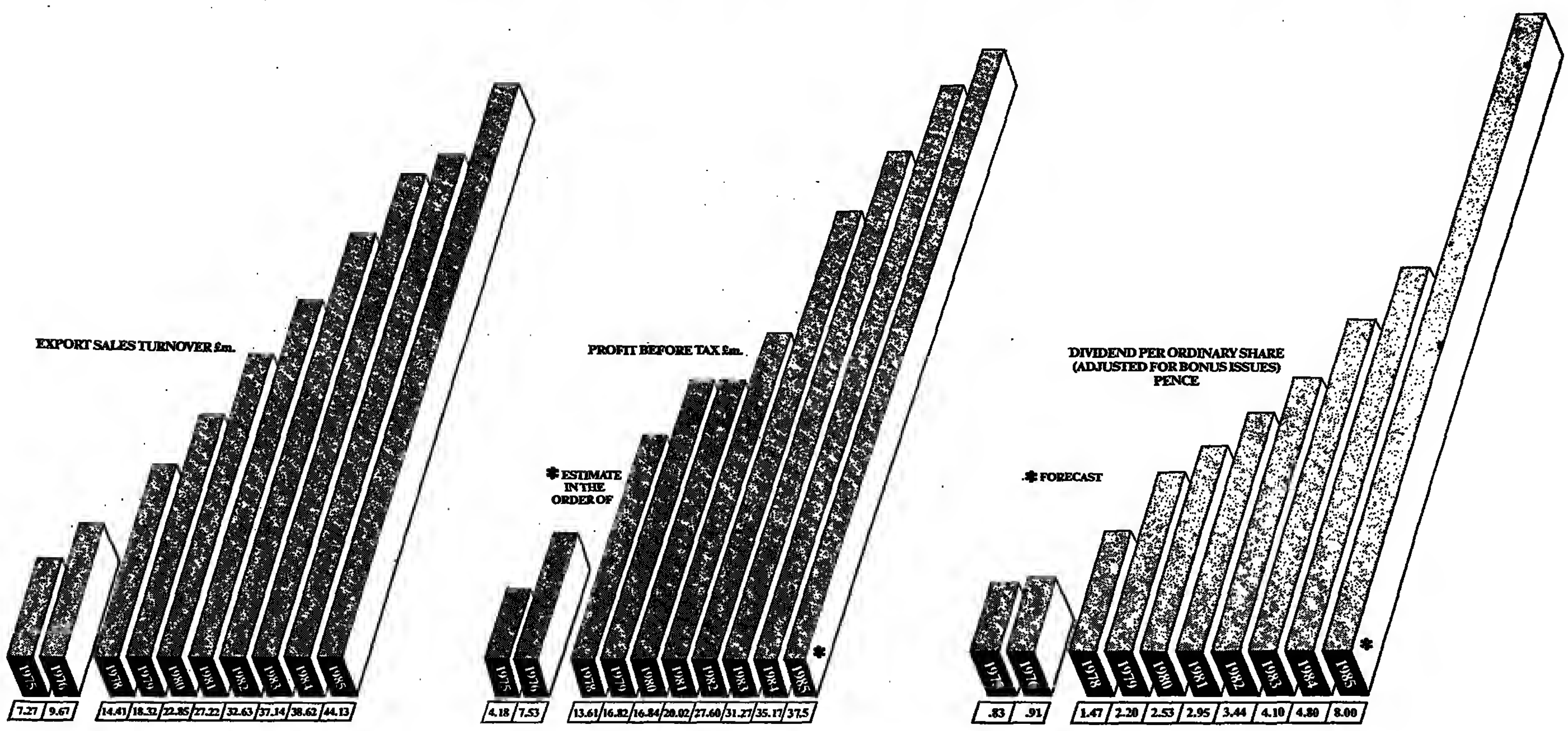
Finals—A. & J. Gelfer, Goebel Investments, Gold Fields of South Africa, Jos Holdings, United Packaging.

FUTURE DATES

Interims:—

Addison Page	Sept 10
Ault and Wiborg	Aug 23
Dufay Bitumastic	Aug 27
Emess Lighting	Aug 28
Guardian Royal Exchange	Sept 4
MacLellan (P. & W.)	Aug 28
Taylor Woodrow	Aug 27
Telfos	Aug 21

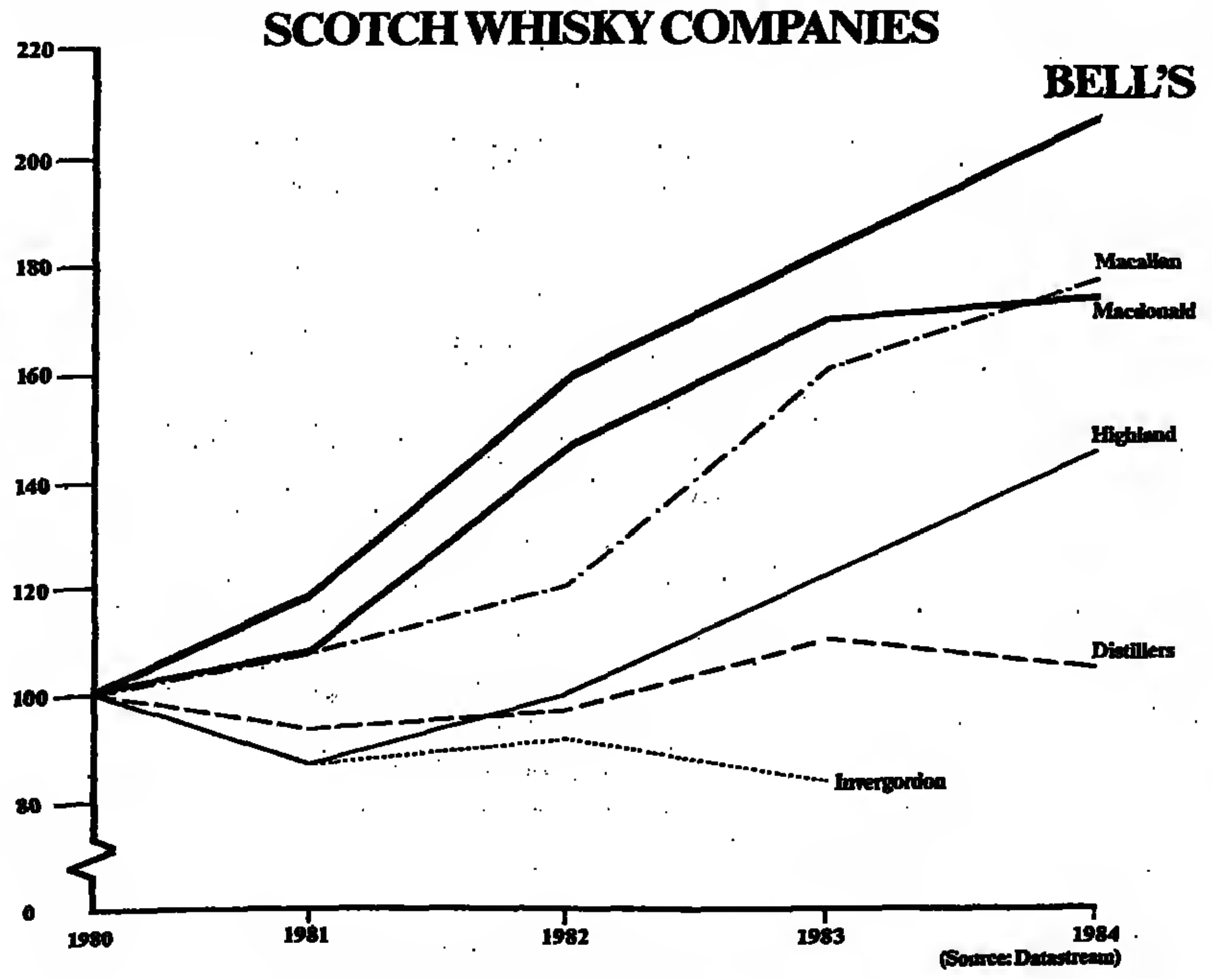
BELL'S GROWTH CONTINUES IN THE EIGHTIES



NOTE: Years 1975 and 1976 are the twelve month periods to 31st December. Years 1978 onwards are the twelve months period to 30th June.

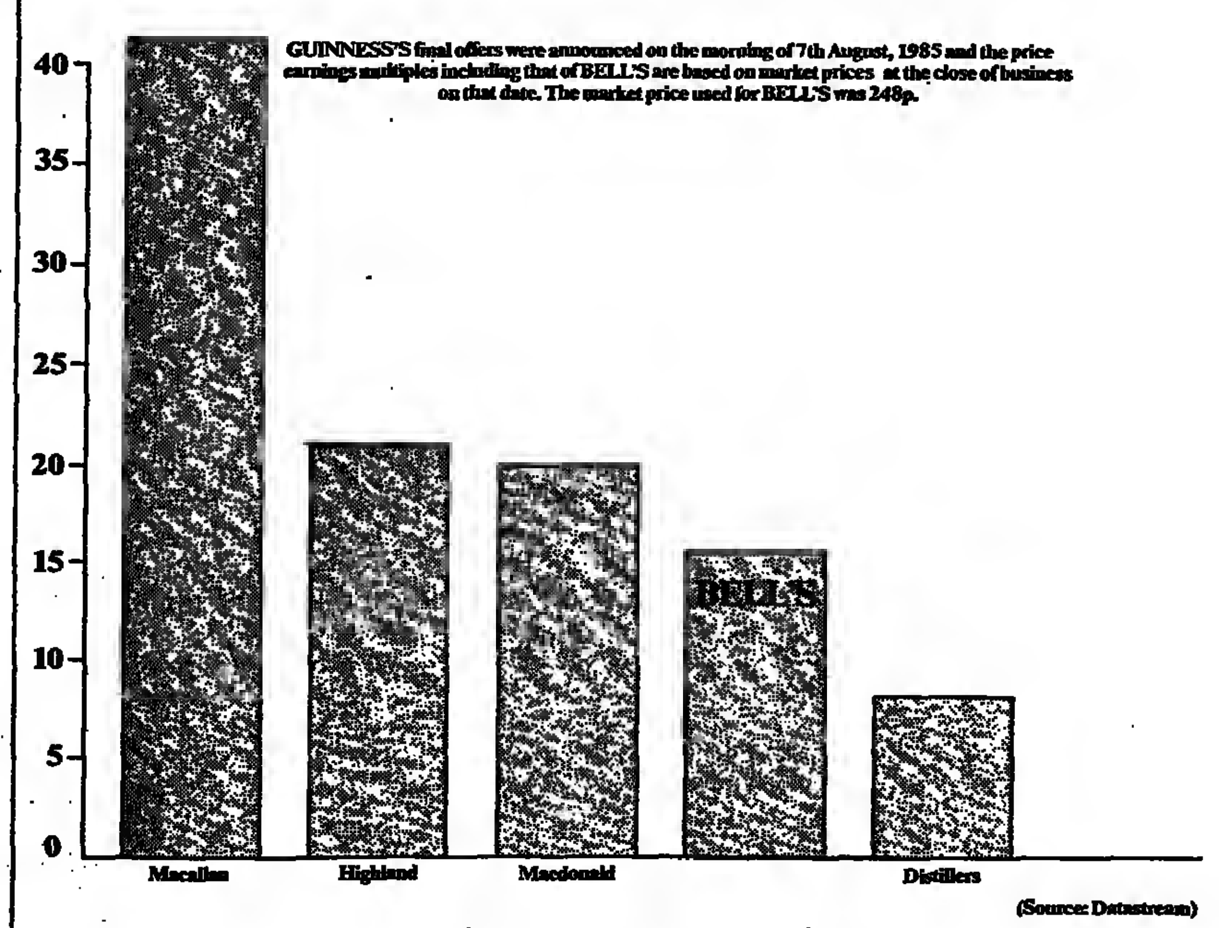
DOES THE GUINNESS BID REPRESENT ADEQUATE VALUE FOR THIS SUCCESSFUL SCOTCH WHISKY COMPANY?

COMPARATIVE PROFIT BEFORE TAX PERFORMANCE SCOTCH WHISKY COMPANIES



PRICE EARNINGS MULTIPLES FOR LISTED SCOTCH WHISKY DISTILLERS

GUINNESS'S final offers were announced on the morning of 7th August, 1985 and the price earnings multiples including that of BELL'S are based on market prices at the close of business on that date. The market price used for BELL'S was 248p.



Figures used by Datastream are drawn from the published accounts of the relevant companies. Profit before tax used in the graph for each calendar year are taken as being those for the financial year ending in that calendar year restated on the basis that figures for 1980 are 100. Price earnings multiples have been calculated by Datastream using the weighted average number of shares in issue and the profit before tax in the latest published accounts and applying the full tax rate applicable to the relevant year. Information on Invergordon for 1984 is not available on the Datastream database and accordingly its price earnings multiple is not included in the above table.

WE BELIEVE THE ANSWER IS NO

REJECT THE GUINNESS BID.

This advertisement is published by Arthur Bell & Sons plc whose directors (other than Mr. P.R. Tyrie) have taken all reasonable care to ensure that the facts stated and opinions expressed herein are fair and accurate and each of the directors accepts responsibility accordingly.

FT COMMERCIAL LAW REPORTS

Insurer's illegality affects contract

PHOENIX GENERAL INSURANCE CO OF GREECE SA v HALVANON INSURANCE LTD
Queen's Bench Division (Commercial Court): Mr Justice Hobhouse: July 31 1985

CONTINGENCY MONETARY losses arising out of adjustment of aircraft insurance premiums are not "aircraft liability" and insurance of such losses is therefore not covered by authorisation to carry on aircraft insurance business. And although an unauthorised insurance contract is not invalid in itself and innocent assureds are protected in tha event of non-performance, the insurer's illegal act of effecting insurance without anthority precludes him from claiming against assureds or reinsurers.

Mr Justice Hobhouse so held when giving judgment for the defendant reinsurers, Halvanon Insurance Co Ltd and Administratie Asigurarior de Stat, on a preliminary issue in reinsurance claims for $5m and $3m respectively, by the plaintiff insurance company, Phoenix General Insurance Co of Greece SA.

Section 1 of the Insurance Companies Act 1974 provides: "The classes of insurance business relevant for the purposes of this part of the Act are . . . (d) marine aviation and transport. . . ."

Section 2 (1) "No person shall carry on . . . insurance business of a class relevant for the purpose of this part of the Act . . . except (a) a body corporate which is anthorised. . . ."

Section 11 (1): "A person who carriee on business in contravention of this part of this Act shell be guilty of an offence . . . liable to imprisonment . . . or . . . fine."

Section 83 (4) "In this Act marine aviation and transport insurance business means . . . risk . . . incidental to the undertaking of such business."

Reguletion 6 of the Insurance Companies (Classes of General Business) Regulations 1977 provides: "The 1974 Act . . . and former classes . . . are hereby modified. . . ."

Classes substituted by the Reguletions include:

Class 5: "Aircraft: effecting and carrying out contracts of insurance npon aircraft . . ."; Class 11: "Aircraft liability: effecting and carrying out contracts of insurance against damage . . . in connection with the use of aircraft . . ." Class 16: "Miscellaneous financial loss. . ."

HIS LORDSHIP said that the ections concerned claims under reinsurance contracts made in London, under which Phoenix was the reassured.

Phoenix, a Greek company, carried on business in London. The only authorisation it had under the Insurance Compenies Act 1974 was for "marine aviation and transport" insurance business.

The relevant contracts covered aviation contingency business. The dispnte related to that part of the business described as "profit commission insurance, differentials on burning cost premium insurances, unearned premium insurance, and increase in premium insurance."

Those all related to risks arising from the operation of premium adjustment cleuses in policies on the hulls or aircraft or similar objects. An airline by reason of casualties, either lost a financial benefit (eg, profit commission) or suffered a financial liability (eg, a burning cost). Separate insurance slips covered those specific financial consequences.

The slips, known as "aviation contingency slips," were written by underwriters in the aviation market, but it was unusual for an underwriter on the bull slip to be on the contingency slip for the same airline, and it was very rare indeed for the same underwriter to lead both slips.

Therefore although the making of the contingency contract was a consequence of making the hull contract, the two contracts were separate and distinct and separately negotiated.

The first question was whether Phoenix had committed any criminal offence.

Under the 1974 Act as originally enacted, its business did not give rise to any problem. It was "incidental to" insuring aircraft within section 83(4) of the Act.

However, as a result of amendment by the 1977 Regulations, Phoenix's existing euthorisetion was transferred to new categories. The relevant contingency business could fairly be described as "financial loss" business within Class 16, but Phoenix was not authorised under Class 16.

It argued that contingency business was to be categorised under class 5 as "insurance upon aircraft," or under Class 11, as "insurance against damage arising . . . in connection with the use of aircraft."

The slips were not, on any ordinary use of language, insurances upon aircraft. The subject matter was contingent monetary losses arising from premium variations in the hull policies. Nor did those premium variations arise out of "use" of aircraft.

Tha risks were separately insured cover against financial loss and were correctly identified as falling within Class 16. It followed thet since the start of 1978 Phoenix had committed criminal offences under the Act as amended.

The second question was: what was the extent of the illegality?

The general purpose of the Act was to protect potential assureds. To that end insurance companies were subjected to supervision and regulation, and if they carried out unauthorised business they suffered criminal penalties.

The criminal offence could only be committed by the insurance company, not by the assured, unless he knowingly chose to aid and abet the commission.

The Act therefore did not make the transaction of insurance *per se* objectionable or illegal; it merely prohibited one party from engaging in it unless he had first obtained the requisite authorisation.

In *Bedford Insurance [1984] I WLR 726* Mr Justice Parker correctly identified the criminal offence as the "effecting or carrying out of insurance contracts by an insurance company by way of business."

Mr Justice Leggatt in *Stewart v Oriental Fire (FT May 2 1984)* appeared to conclude that no element of illegality attached to the effecting or carrying out of individual insurance contracts and hence the commission of offences was irrelevant to the enforceability of such contracts.

His Lordship did not agree. The 1974 Act specifically and expressly defined the offending business as being that of "effecting and carrying out." The relevant contracts constituted the very business which the statute forbade unless authorised.

The extent of the illegality was the illegality on the part of Phoenix in effecting and carrying out the relevant contracts. It did not affect the whole transaction but only Phoenix's part in it.

The third question was: what were the legal consequences of such illegality?

The contracts were not void. There was nothing illegal in them *per se*. At the most they became, to e greater or lesser extent, unenforceable.

In *Bedford* Mr Justica Parker held that a reassured could not recover under e reinsurance contract, on account of the illegality of the original insurances. In *Stewart* Mr Justice Leggatt held that a reassured who had not been carrying on business illegally could recover under his reinsurance contract from a reinsurer who had.

His Lordship agreed with Mr Justice Leggatt that an innocent assured could enforce the contract. The ultimate intention of the statute was clearly to benefit and protect the assured.

There was no warrant for reading into the statute an intention to deprive the assured of any of his rights and remedies.

The only problem was that posed by Mr Justice Parker. The plaintiff was suing for damages for failure to do that which the statute forbade the defendant to do (carry out the contract). Where performance of a contract involved doing an illegal act, damages could not be awarded for failure to do that act.

It was not suggested that the original assured were anything other than wholly innocent. Whet the plaintiff was enforcing was not the primary obligation of performance, but the secondary obligation to pay damages in the ebsence of performance.

So perceived, there was no reason why the courts should refuse the assured that remedy. To do so would be contrary to the inteot of the statute and would give effect to what was little more than a fiction.

If failure to obtain the requisite euthority made the contract unenforceeble, then it must be an implied term of the contract that the insurance company would have obtained the requisite authority. If so, then it could be sued for damages for failing to perform that obligation, which damages would be in the same amount.

Or perhaps the insurance company could be precluded from setting up its own breach of contract as an answer to the claim; or the principle of circuity of action could be relied on.

By whetever route the innocent assured still recovered. There was no reason why the court should not simply allow him to sue for damages in the ordinary way.

Phoenix was therefore liable to the original assureds.

It was accepted that Phoenix had not been doing anything deliberately illegal. Its illegal conduct was inadvertent, save of course that it had a responsibility to see that it had the requisite aothorities and to see that it kept within them.

Unenforceability of the original insurances against the original assureds (for example, to recover unpaid premium) clearly followed from the illegality.

However, Phoenix argued that the illegality did not preclude it from recovering under the reinsurance contracts from the reinsurers.

That was the point Mr Justice Parker bad to decide in *Bedford*, and his Lordship agreed with his decision. It followed on ordinary principles from the illegality which existed.

It was not the reinsurers' case that tha reinsurance contracts were illegal. The principle to be applied was that stated by Lord Justice Denning in *Marles v Trust [1954] 1 QB 38*, that "if the plaintiff required any aid from an illegal transaction to establish his cause of action, then he should not have any aid from the court."

Phoenix was heving to rely on its own illegal conduct. No insurance company should be surprised if, having chosen to engage in unauthorised business, it could not resort to the courts for assistance.

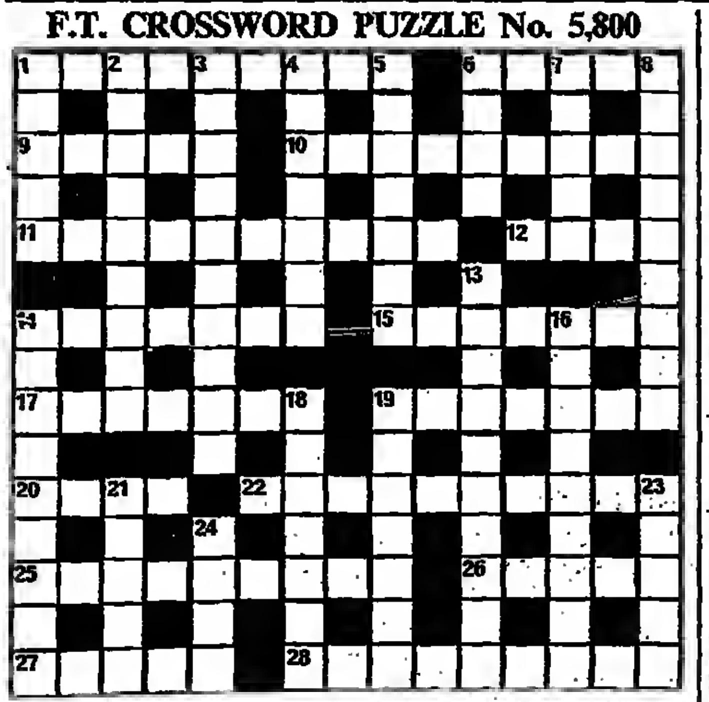
Accordingly, Phoenix could not recover against the reinsurers in respect of business written in contravention of the Act as amended.

For Phoenix: Steven Gee (Elborne Mitchell and Co).

For the reinsurers: David Johnson QC, Murray Pickering QC and David Owen (Peter Carter-Ruck and Partners and Thomas Cooper and Stibbard).

By Rachel Davies
Barrister

F.T. CROSSWORD PUZZLE No. 5,800



ACROSS

1 Vehicle's back with petrol including derv initially under consideration (3, 6)
6 Saucy dance? (5)
9 Supporters bead off for Newmarket perheps (5)
10 Go this to enthuse above teacher's equipment? (9)
11 Instigator with note hidden in soft flower (5, 5)
12 Wager by e letter (4)
14 Festival that'e well up to time (4, 3)
15 Sot wept unexpectedly at dance (3-4)
17 Falls? Let's pop off there (7)
19 Former conductor earned his stripes in sound (7)
20 Sweet kind of music? (4)
22 Located at both ends in the main (4, 3, 3)
25 Associate to pass the Alliance (9)
26 Vet Royal Academy for disturbance (i.e. to ward off) (5)
27 Lyle in the bunker? (5)
28 They make mockery so I'd shift roles around (4)

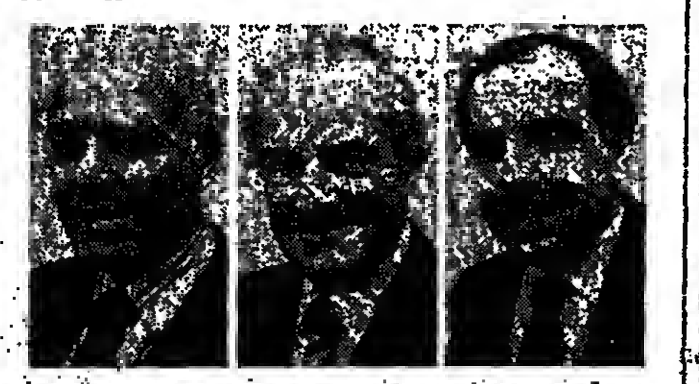
DOWN

1 Wines coming up provide a sharpener (5)
2 Giving support to ruler in Lancashire town (7, 2)
3 In an unstable way? Aid Lutyens to reform (10)
4 Chemical similarity is nothing to pharmacy's extremes (7)
5 Thing of great beight is always established (7)
6 This kind of root could be dicey (4)
7 Built up heaps for a definite period (5)
8 Get it out for a visitor of State (from USSR?) (8, 6)
13 Horse-drawn vehicle in a tie? (4-2-4)
14 Spinning bowlers might produce them (3-6)
16 They could be a green set (9)
18 Substitute dentist will (4-3)
19 Female in fur coat has beer perhaps (3-4)
21 Punctuation is part of protocol once in a while (5)
23 Paul's helper—one in flight ebove us? (5)
24 Extremely light (4)

Solution to Puzzle No. 5,799

APPOINTMENTS

Restructuring in Beazer property division



Mr Graham Brimecombe (left), Mr Harry Lunt (centre) and Mr Michael Martin (right) to Beazer senior posts

C. H. BEAZER (HOLDINGS) has made management changes within the property division. Following ecquision of M. P. Kent and William Leech. Beazer Property now has three operating subsidiaries. Beazer Commercial Developments is the subsidiary responsible for major retail schemes. Mr Harry Lunt has been appointed director and general manager. Responsibility for the group's investment portfolio, hotel projects, and special developments will be takan over by Beazer Estates. Mr Michael Martin becomes managing director. The third subsidiary, Beazer Projects will organise and execute the construction of all the developments managed by the ebove two companies. Mr Graham Brimecombe becomes Managing Director. Mr Terry Upsall will continue as chairman of Beazer Property but managing director Mr Don Evans takes on additional responsibilities. He has been mada chairman of all three subsidiary companies, while Ms Paulene Toghill becomes director and secretary.

★

Two associate directors of the SWINTON INSURANCE broking group have been eppointed to the main board, Mr Roy Wilkinson and Mr Graham Mawman.

Mr Wilkinson has been group general manager and Mr Mawman group assistant general manager since 1984.

★

P-E CONSULTING GROUP'S manufacturing division, Solihull, has appointed Mr David Blore, as sales and marketing director and M Peter Haslam as operations director. Mr Blore joined P-E in 1967 and became a divisional director in 1980. Mr Haslam has been with the group for 15 years, and since 1981 has heeded all consultancy work in the materials management field.

★

A researcher and manager at British Telecommunications Research Laboratories, Dr Nihal Sinnadurai is moving over to consultancy with BPA (TECHNOLOGY & MANAGEMENT).

UK PROVIDENT INSTITUTION has appointed Mr R. M. O. Stanley as deputy chairman from September 9. Mr Stanley will succeed Mr S. G. Brooksbank as chairman on Mr Brooksbank's retirement in April 1987. At that time Mr A. Spedding will become managing director and Mr J. J. Gunning, deputy managing director of the Institution. Mr Stanley is on the board of UK Provident. Mr Spedding is general manager and actuary, and Mr Gunning is deputy general manager (investment). Both Mr Spedding and Mr Gunning are on the board.

★

Mr George Cannon has been eppointed to the board of PORTSMOUTH AND SUNDERLAND NEWSPAPERS. Mr Cannon, who has been part-time chairman of the company's wholly-owned subsidiary, Portsmouth and Sunderland News Shops, for the last 18 months, has previously been a director of BAT Stores and group deputy chairman of Fitch Lovell.

★

Mr H. A. Brownsey has joined the board of THE BESTWOOD. He was previously a managing director of Cater Allen, and chairman of The Atlanta Investment Trust. Mr Brownsey also becomes deputy chairman of Kingsnorth Trust, a wholly-owned subsidiary of Bestwood. In addition Mr R. J. Browning and Mr R. Dear also become directors of Kingsnorth.

★

MARKET WISE, a point of sale design company and a wholly-owned subsidiary of Platignum, has appointed Mr James Wilson as general manager and managing director designate. He succeeds Mr Rod Collier, the company's founder and present chairman and managing director, who will maintain his role as chairman at Market Wise, while increasing his responsibility as a main board director of the Platignum Group. Mr Wilson was chairman and managing director of the Todwill Company.

FT UNIT TRUST INFORMATION SERVICE

AUTHORISED UNIT TRUSTS

CONTINUED OVERLEAF

AUTHORISED UNIT TRUSTS & INSURANCES

Pearl Trust Managers Ltd. (k)(g)
252, High Holborn, WC1V 7EB. 01-405 8441

Pearl Growth Fd	62.2	66.7		3.46
Accum Units	92.0	97.9		3.46
Pearl Inc	87.7	93.3	-0.3	5.09
Pearl Unit Tst	91.7	97.6	-0.2	4.18
(Accum Units)	155.2	165.7	-0.3	4.18

Perpetual Unit Trust Mngmt. (a)
48, Hart Street, Henley on Thames 0491 576868

Growth	178.8	191.9		1.93
Income	137.2	147.0	+0.5	5.40
Worldwide Recovery	101.5	109.0	-0.5	2.16
American Growth	55.6	59.7	-0.2	0.71
Int. Emerging Cos	57.7	61.9		0.78
Far East Growth Fd.	46.3	49.7	+0.3	1.0

Prolific Unit Trusts
222, Bishopsgate, EC2. 01-247 7544/7

Prolific Far East	100.9	108.1	+1.4	0.29
Prolific Extra Inc	61.1	65.1	-0.1	6.33
Prolific Gilt Cap.	82.3	95.6		3.21
Prolific High Inc	128.4	136.9	+0.5	5.44
Prolific Intl	81.2	87.9	+0.3	1.71
Prolific N. Amer	114.4	122.6		2.65
Prolific Spec. Sits	138.5	147.7	+0.7	1.52
Prolific Technology	98.9	106.0		0.84

Providence Capital Fd. Mgrs. Ltd.
30 Uxbridge Road, London, W12 8PG. 01-749 9111

Japan Trust	48.1	50.9	-0.1	—
Worldwide	47.2	50.0	+0.1	2.83
European Trust	49.9	52.9	+0.1	2.19
North American	47.5	50.1	-0.2	2.07
UK Equity	49.3	52.3	+0.1	4.09

Prudential Unit Trust Mngrs Ltd. (a) (b) (c)
51-59, Ilford Hill, Ilford, Essex, IG1 2DL 01-478 3377

Holborn Equity Tst	319.9	340.3	-0.6	3.46
Holborn Gilt Tst	154.7	161.7	+0.1	7.28
Holborn High Inc	54.4	57.8	-0.1	7.13
Holborn Intl	58.4	62.1	+0.1	0.55
Holborn UK Growth	63.1	67.1	+0.1	3.46

TSB Unit Trusts (b) (c) (y)
PO Box 3, Keens Hse, Andover, Hants, SP10 1PG
0264 62188 Dealings to 0264 63432 3

TSB American	89.5	95.3	-0.3	1.53
Do Accum	93.2	99.2	-0.3	1.53
TSB Extra Income	81.0	86.2		6.62
Do Accum	93.3	99.3	+0.1	6.62
TSB General	118.1	125.8	-0.3	3.45
Do Accum	191.6	203.8	-0.5	3.45
TSB Gilt & Fxd Int	47.2	49.2		9.41
Do Accum	58.0	60.5		9.41
TSB Income	161.4	172.3	-0.3	5.12
Do Accum	244.3	259.9	-0.3	5.12
TSB Pacific	101.1	107.6	+1.0	0.61
Do Accum	103.6	110.3	+1.0	0.61
TSB International	222.4	236.6	+0.2	1.90
Do Accum	270.6	287.9	+0.1	1.90
TSB Natural Resources	45.0	47.9	+0.1	2.10
Do Accum	45.4	48.4	+0.1	2.10
TSB Smal. Opps	[illegible]	49.3	+0.1	2.55
Do Accum	[illegible]	53.0	+0.1	2.55

3i & Target Fund Mgrs Ltd
Target House, Gatehouse Road, Aylesbury, Bucks Aylesbury (0296) 5941

Small Co's Fund	64.4	68.9	+0.2	0.10

Target Trust Mngrs. Ltd. (a)(g)
Target Hse, Gatehse. Rd, Aylesbury Bks (0296) 5941

American Eagle	63.3	67.7	-0.1	0.28
Australia	30.9	[illegible]	+0.5	0.10
Commodity	56.8	[illegible]	+0.1	2.01
Energy	38.9	41.[illegible]	+0.4	0.33
Equity	98.3	104.[illegible]	-0.7	3.89
European Spec. Sits	53.3	57.[illegible]		0.64
Extra Income	88.0	94.[illegible]	-0.4	8.40
Financial	207.6	[illegible]		2.57
Gilt Capital	222.7	[illegible]		3.25
Gilt Income	99.6	10[illegible]	+0.1	8.68
Gold Income	91.8	[illegible]	+1.3	1.83
Gold Acc	107.9	[illegible]	+0.7	1.83
Income	59.1	[illegible]	+0.2	4.89
Japan	43.2	[illegible]		0.30
Malaysia & Singapore	22.7	[illegible]		0.67
Pacific Income	62.4	66.[illegible]	+1.0	0.50

[illegible]

INSURANCES

[illegible]

INSURANCE, OVERSEAS & MONEY FUNDS

OFFSHORE AND OVERSEAS

World Fund S.A.
2 Boulevard Royal, Luxembourg
World Fund NAV $21.58

World Wide Growth Management◊
10a, Boulevard Royal, Luxembourg
Worldwide Gth Fd $13.31
Inv. Adv. M. & G. Inv. Mngt., Ltd., London.

Yamaichi Dynamic Mngt Co SA
10A Boulevard Royal, Luxembourg
Advanced Tech $9.28
Dynamic Gwth Fd $8.32

Money Market Trust Funds

	Gross	Net	Gr Equiv CAR	Int Cr
The Charities Deposit Fund 77 London Wall, London EC2N 1DB. 01 588 1815				
Deposit	11.55	—	—	3-Mth
The Money Market Trust 63 Qn Victoria St, EC4N 4ST. 01-236 0952				
Call Fnd	11.57	8.65	12.02	6mth
7-day Fnd	11.48	8.58	12.71	6mth
Oppenheimer Money Management Ltd 66 Cannon St, EC4N 6AE. 01-236 1425				
Call Fnd	11.45	8.56	12.60	6-Mth
7-day Fund	11.36	8.49	12.50	6-Mth
Dollar	7.25	—	—	6-Mth
Money Mngt Acct	11.25	0.41	12.56	3-Mth

Money Market Bank Accounts

	Gross	Net	Gr Equiv CAR	Int Cr
Adam & Co. plc 22 Charlotte Sq, Edinburgh, EH2 4DF. 031-225 8484				
Full Service Cur Acc	11.25	8.00	11.93	Qtr
Aitken Hume 30 City Road, EC1V 2AY. 01-638 6070				
Treasury Acc	11.373	8.50	12.70	Qtr
Mth. Int Chq.	11.25	8.41	12.68	Mth
Bank of Scotland 38 Threadneedle St, EC2P 2EH. 01-628 8060				
Money Mkt Cheque Acc	11.00	8.22	12.18	Mth
Barclays Prime Account PO Box 125, Northampton. 0604 252891				
High Int. Cheque	11.0	8.25	12.33	Qtr
Britannia Investment Services Ltd. 29 Finsbury Circus, EC2M 5QL. 01-588 2777				
Cater Allen	11.13	8.33	12.34	Mth
Charterhouse Japhet plc 1 Paternoster Row, EC4M 7DH. 01-248 3999				
Sterling	11.13	8.23	12.34	Mth
U.S. Dollar	7.25	7.25	7.50	Mth
German Marks	4.75	4.75	4.85	Mth
Swiss Francs	1.50	1.50	1.51	Mth
Japanese Yen	5.00	5.00	5.12	Mth
Citibank Savings St Martins Hse, Hammersmith Grove. 01-748 9251				
Cheque Plus	—	9.00	11.30	Qtr

Co-operative Bank Cheque & Save

NOTES

Prices are in pence unless otherwise indicated and those designated $ with no prefix refer to U.S. dollars. Yields % (shown in last column) allow for all buying expenses. a Offered prices include all expenses. b Today's prices. c Yield based on offer price. d Estimated. g Today's opening price. h Distribution free of U.K. taxes. p Periodic premium insurance plans. s Single premium insurance. x Offered price includes all expenses except agent's commission. y Offered price includes all expenses if bought through managers. z Previous day's price. ¶ Guernsey gross. # Suspended. ◊ Yield before Jersey tax. † Ex-subdivision. ‡‡ Only available to charitable bodies. ◊ Yield column shows annualised rates of NAV increase. xd ex dividend.

OPTIONS

3-month call rates

Industrials	p		
Allied-Lyons	16	Marks & Spencer	12
BAT	32	Midland Bk.	38
BOC Grp.	25	NEI	8
BSR	16	Nat West Bk	60
BTR	52	P & O Dfd	36
Babcock	14	Plessey	17
Barclays	48	Polly Peck	26
Beecham	32	Racal Elect.	18
Blue Circle	45	RHM	11
Boots	15	Rank Org Ord	32
Bowaters	20	Reed Intnl	50
Brit Aerospace	33	Sears	8
Brit. Telecom	11	TI	20
Brown (J.)	3	Tesco	28
Burton Ord	39	Thorn EMI	35
Cadburys	14	Trust Houses	13
Charter Cons.	18	Turner Newall	18
Comm Union	19	Unilever	85
Courtaulds	12½	Vickers	19
Debenhams	17½	**Property**	
Distillers	20	Brit Land	12
FNFC	8½	Cap Counties	18
Gen Accident	45	Land Secs.	25
Gen Electric	17	MEPC	28
Glaxo	85	Peachey	22
Grand Met	25	Samuel Props	14
GUS 'A'	60	**Oils**	
Guardian	60	Brit. Oil & Min.	4
GKN	27	Brit Petroleum	42
Hanson Tst.	17½	Burmah Oil	18
Hawker Sidd.	38	Charterhall	6
ICI	60	Premier	5
"Imps"	18	Shell	60
Jaguar	28	Tricentrol	18
Ladbroke	24	Ultramar	19
Legal & Gen	50	**Mines**	
Lex Service	28	Cons Gold	44
Lloyds Bank	45	Lonrho	14
Lucas Inds.	25	Rio T Zinc	56

A selection of Options traded is given on the London Stock Exchange Report Page.

COMMODITIES AND AGRICULTURE

Precious metals up on fears of unrest in South Africa

BY KENNETH MARSTON, MINING EDITOR

RENEWED concern about unrest in South Africa gave a further boost to precious metal markets yesterday, with the price of platinum in London outstripping gold at one point for the first time since the middle of last year.

Gold closed up $1.5 from Friday's level at $338.75 per ounce. This was its highest level so far this year. But in active trading, platinum finished at $332, $11 higher than its London close on Friday.

Both gold and platinum exceeded $340 at one point yesterday, but a late sell-off inspired by the New York futures market took prices down.

The main reason for revived buying of both metals, which included heavy demand from investors, was the fear of disruption to South African production, particularly in the light of the strike which black mine-workers are threatening to begin this weekend.

The markets see President P. W. Botha's uncompromising speech to the Natal National Party congress last Thursday, in which he failed to outline specific and hoped-for reforms, as likely to intensify the risk that political unrest could spread to the mines.

The South African connection to the recent rise in gold and platinum is underlined by the fact that there has been relatively little movement in the price of silver, a metal that is mined in many more places than those two, often in association with lead and zinc.

By far the bulk of the world's platinum supply is mined in the famous Merensky reef in South Africa's Transvaal. This year, South African output is expected to rise to about 87.5 tonnes.

Copper stocks continue to rise

By Our Commodities Staff

OFFICIAL stocks of copper in London Metal Exchange warehouses rose by a further 10,350 tonnes last week, underlining the growing, if possibly temporary, surplus of metal.

LONDON METAL EXCHANGE WAREHOUSE STOCKS
(Changes during week ending August 16)

		(tonnes)
Aluminium	−550	to 146,200
Copper	+10,350	to 189,925
Lead	+1,000	to 36,050
Nickel	−90	to 6,474
Tin	+580	to 28,595
Zinc	−275	to 36,550
		(ounces)
Silver	+960,000	to 52,810,000

The increase in stocks, announced by the LME yesterday, took them to 189,925 tonnes, their highest level in more than a year.

However, the copper price showed little or no reaction to the news. Traders said they had expected a rise of this order.

Some analysts, nonetheless, are expressing concern about the underlying supply and demand picture for copper and its possible impact on prices, at least over the next few weeks. "Production cutbacks have not been in evidence for the last three to four weeks, and demand has been tailing off," according to one.

However, most analysts are expecting a sizeable supply deficit for the year as a whole.

● YESTERDAY'S weekly London tea auction ended with no changes in average tea prices. Quality grade was again unquoted while medium grads averaged 135p a kilo and low medium 106p a kilo.

The tea Brokers' Association of London said there was "good general demand at the opening with selected brighter lines and coloury mediums gaining several pence. Medium East and Central Africans eased with poorer sorts neglected. The total offering amounted to 28,942 packages.

Rubber pact to discuss stock manager's post

BY WONG SULONG IN KUALA LUMPUR

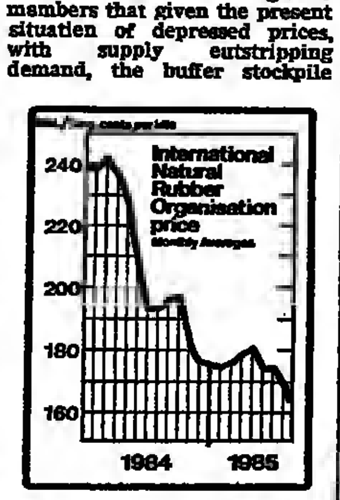
AFTER TWO unsuccessful attempts, the 33-nation International Natural Rubber Organisation will hold a special meeting here on September 3 to appoint a new buffer stock manager (BSM) and this time it appears that Mr Alde Hoffmeister, the candidate nominated, will get the job.

Mr Hoffmeister, who is natural rubber purchasing manager with the American tyre company, Uniroyal, has been nominated by the U.S., which has agreed to drop its two earlier nominees to break the six-month deadlock. The BSM job is traditionally reserved for an American.

Mr Hoffmeister will take over from Mr Harvey Adams who will leave in October.

The BSM's job is seen as crucial at this stage as heavy buying to support sagging prices has pushed the buffer stockpile from 270,000 tonnes to more than 320,000 tonnes within a matter of weeks. This resulted in Inro cutting its intervention prices by 3 per cent last week.

There is concern among Inro members that given the present situation of depressed prices, with supply outstripping demand, the buffer stockpile might hit 400,000 tonnes within a couple of months.



Michael Thompson-Noel on problems in agriculture ahead of today's budget

Australian farmers at the crossroads

NORTH OF Dubbo, on the road to Coonabarabran, in northern New South Wales, I recently encountered scenes that would have caught the eye of the great Australian landscape painters, whose works fetch good sums at art market counters.

There, by the road, were drovers and their dogs, hunched round camp fires, guarding bands of dishevelled sheep which were foraging in the "long paddock" (the roadside grass) because of the drought which has evicted them from their farms.

About a third of NSW is affected, but then drought is always present somewhere in Australia.

What is angering Australia's farmers most at present is not the weather, but the way they claim they are being crushed between external trade protectionism on the one hand, and rising farm costs on the other—to the extent that the National Farmers Federation (NFF) recently organised some of the biggest protest marches seen in Australia since the Vietnam War.

The man who has mobilised Australia's 170,000 farmers, plus much of the rural population, is Mr Ian McLachlan, 48, a keen cricketer and South Australia woolgrower who is on the board of Elders-IXL, the Melbourne-based pastoral-to-finance conglomerate, and who has been NFF president since 1984.

To date, says Mr McLachlan, the farmers have tried to give Mr Bob Hawke's Labor Party Government in Canberra a "fair go."

But Australian agriculture, he says, is at a major crossroads. "If we take the right direction, farm output will grow and help to improve the living standards of all Australians. If we are forced down the wrong road, the farm sector will continue to contract and the national economy will be weakened further."

He says that Australian farming faces two major problems. First, there is the shambles in the international marketplace caused by subsidised exports from Europe, which has affected (in some cases severely) Australia's market for sugar, wheat, meat, dairy produce, fruit, wine, and other goods. The EEC's latest foray—into Asian beef markets—is described by Mr McLachlan as "highly provocative" in that it "indicates clearly that the EEC is not prepared to curtail its intervention trading."

Second, claims the NFF, Australian farmers are being squeezed between reduced returns from increasingly unstable export markets, and rapidly rising costs. "Costs on average are rising two-and-a-half times faster than prices received by farmers," says the NFF president. "As a result, our competitive position has been eroded and our real net income is one-third of the average wage of other workers in Australia."

The latest word from the Bureau of Agricultural Economics in Canberra is that despite the impact of this year's depreciation of the Australian dollar, the real net value of farm production is expected to fall by 22 per cent between 1984-85 and 1985-86.

The main reason is that a significant fall in the value of the 1985-86 wheat crop is expected, with production forecast to fall by 3.1m tonnes to 15.6m tonnes. The gross value of crop production is expected to fall by 9 per cent (wheat accounting for 80 per cent of that fall), though the outlook is brighter for livestock.

The BAE forecasts a fall of A$650m (U.S.$320m) in gross farm product to A$8.85bn (a decrease in real terms of 7 per cent). It says that the combination of a fall in gross value and an expected 6 per cent rise in farm costs (particularly fuel and fertiliser) will lead to a 17 per cent fall in the net value of rural production, which in real terms will be 22 per cent. The value of farm exports in 1985-86 is expected to rise by 2 per cent to A$10.7bn, Australia being a big supplier of wheat, wool, and beef.

The NFF has numerous immediate objectives. First, it says that Labor's budget to-day should remove "stifling impositions on exporters," including all taxes on petroleum products used in farming, and all tariffs on imports of farm equipment and parts, chemicals, and animal health products.

Second, it is bitterly opposed to Labor's talk of a capital gains tax. Third, it demands tougher action on wages. Fourth, it wants a reduction in total Government spending—something everyone is clamouring for.

Yet there is another side to the coin. In Canberra I was told: "The farmers want it both ways. They're not poor. They're greedy. They capitalise most of their profits, so of course they scream blue murder at talk of capital taxes. They say they don't want subsidies. But they want them as much as anyone."

Whatever the truth, the political reality for Labor is that the farmers are up in arms. Today's budget speech in Canberra might just contain a line or two to lower the farmers' tempers. But no-one is betting on it—least of all the drovers and their dogs on frosty vigil in the long paddock.

Free range egg husbandry emerges from its shell

Farmer's viewpoint: by John Cherrington

PERHAPS you remember the story of the dinner party where the main course was a tasty rabbit stew. After the guests had all expressed their satisfaction and congratulated their host, the butler brought in a cat's head on a dish, whereupon the guests were promptly sick. This proves that one appetite depends not only on the taste and presentation of the meal, but also on what the consumer imagines to be its origins.

A lot of people do worry about the welfare of farm animals, and this does condition their purchasing tastes. For instance at the moment free range eggs are all the rage, and certain supermarkets have been setting up chains of supply so that one does not have to go to the depths of the country to find them, but can buy them at a premium in city centres. There is certainly no difference between free range and battery eggs from the nutritional standpoint, so I am told. But in the customer's eye there is a very great difference between the eggs from hens confined in a wire cage, so tightly packed that they cannot spread their wings, and cannot scratch, or breathe the outside air.

If the conditions under which the eggs are produced revolt the consumer, he or she will either make a great effort to find supplies of acceptable origin, or do without. Those who advocate battery production reply to this argument by contending that their form of husbandry produces the cheapest eggs and that should free range eggs be needed the cost would have to be raised. This is the classic argument with which all change has been resisted and was just as cogent when the slave trade was being challenged, or the employment of children in the dark satanic mills. It has quite literally nothing to do with the case.

Because in fact prices on a free market, and eggs are a free market, are determined by supply and demand, and not by costs of production. Egg producers get little help from the EEC.

The premiums being paid for free range eggs are such that farmers have been investigating in facilities to produce them. Some of these are quite elaborate and the opposition, which is quite vocal is pointing out that the birds are even more at risk from disease and the elements than those in batteries. Production cannot be as efficient, because if they go outside the hens have to use energy for warmth, that they can be at risk from foxes and other predators.

But even if this is true, there is no doubt that in a properly managed free range set up, the birds have the opportunity to scratch in clean litter to fly or hop up to perches or nest boxes and to live a crowded, but more or less natural life; and have access to the open air. The EEC has laid down guide lines for defining free range egg husbandry and these do include a maximum stocking density of 1,000 birds a hectare or 400 birds an acre. It is not pretended that the birds get any nutrition from the vegetation, but there is enough room, ten square metres per bird for them to be able to walk about, scratch and no doubt find the odd worm.

I have had the opportunity to watch the development of this technique and the birds do seem to be happy under it and do not stray very far from the main house which besides providing shelter is where they get their food and drink. As soon as the automatic feeders start up they can be seen dashing in.

Apart from free range there are other forms of housing which avoid batteries, but do give the birds considerable freedom without them risking the open air. These include a perch system with a scratching floor and what use dto be called a henyard and which was quite common at one time. These would probably satisfy the strictures of the animal lovers, but the eggs produced under them could not by any stretch of the imagination be termed free range.

As a variant from egg production there is a move to extend the free range principle to the broiler, the 8-week-old chicken which is the basis of the poultry meat industry. There is strong demand for these at the moment and consumers, including this one, claim that they taste better than chicken reared in the traditional broiler shed

There are also premiums to be paid for free range porkers and in the vegetable line produce grown organically, that is without the use of what are wrongly called artificial manures, and of course sprays. As I said earlier there is no evidence that any of these products are more nutritious or even taste better than those produced under intensive modern systems. What governs the modern appetite is not the taste buds but the workings of the human mind.

LONDON MARKETS

LONDON futures markets were again quiet yesterday in the absence of major fundamental news.

Sugar showed a modest fall of about $1.20 a tonne in the cif contract, against a background of reports that Spain is to offer about 150,000 tonnes of white sugar for sale early next month. This offset news over the weekend that Pakistan is seeking to buy 50,000 tonnes of white crystal sugar.

Robusta coffee futures fluctuated uneasily around Friday's closing level and closed little changed, mainly influenced by technical and chart factors.

ALUMINIUM

Official closing (am): cash 728.5-9.5 (729.5-30): three months 761.5-2 (761.5): settlement 729.5 (730). Final kerb close: 753-4. Turnover: 24,350 tonnes.

	Unofficial close(p.m.) £ per tonne	+ or —	High/low
Cash	129.5-30.5	−1.6	—
3 months	762.5-3	+1	767/751

COPPER

Higher grade	Unoffic'l close	+ or —	High/low
Cash	999-1000	−91	1012.5/1012
3 months	1021-.5	−17	1042/1025

Official closing (am): cash 1012-.5 (1022-.5): three months 1038.5 (1045.5-6): settlement 1012.5 (1022-.5). Final kerb close: 1026-7.

Cathodes			
Cash	982.4	−6	—
3 months	1006.8	−14	—

Official closing (am): cash 987-90 (992-3): three months 1015-7 (1021-2): settlement 990 (993). Turnover: 15,600 tonnes. U.S. producer prices 66-70 cents per lb.

LEAD

	Unofficial close(p.m.) £ per tonne	+ or —	High/low
Cash	291-2	−6.5	291.5/290
3 months	294-6	−2.6	297/294

Official closing (am): cash 291-.25 (299-300): three months 294-.5 (299.5-300.5): settlement 291.25 (300). Final kerb close: 295-6. Turnover: 10,600 tonnes. U.S. spot: 15 cents per lb.

NICKEL

	Unofficial close(p.m.) £ per tonne	+ or —	High/low
Cash	3450-60	+25	3470/3415
3 months	3515-20	+22.5	3559/3500

Official closing (am): cash 3455-60 (3515-20): three months 3525-30 (3575-7): settlement 3460 (3520). Final kerb close: 3520-30. Turnover: 684 tonnes.

ZINC

	Unofficial close (p.m.) £ per tonne	+ or —	High/low
Cash	525-7	+1.0	527
3 months	525 9	—	524/527

Official closing (am): cash 526-7 (523-4): three months 527-8 (527.5-8): settlement 527 (524). Final kerb close: 533-5. Turnover: 9,650 tonnes. U.S. prime Western: 41-41.75 cents per lb.

MAIN PRICE CHANGES

In tonnes unless otherwise stated.

METALS	Aug 19 1985	+ or —	Month ago
Aluminium	£1100	......	£1100
Free Mkt.	$1050/070	......	$1040/070
Copper			
Cash h Grade	£999.5	−91	£1076.5
3 mths	£1020.25	−17	£1090.25
Gold Troy oz	$338	+1.5	$318.25
Lead Cash	£291.5	−6.5	£295.0
3 mths	£294.5	−2.5	£294.5
Nickel			
Free Mkt.	222/242c	......	230/250c
Palladium oz	$108.50	+1.75	$94.20
Platinum oz	$338.00	+11	$269.75
Quicksilvert	$290/305	......	$295/285
Silver troy oz	458.20p	+3.15	439.40p
3 months	468.60p	+3.75	451.95p
Tin cash	£9081.5	−1.5	£9178
3 months	£9050.5	−5	£9166.5
Tungsten	$11.95	......	$61.49
Wolfram 22.0lb.	$60/76	......	$60/64
Zinc	£526.0	+1.5	£554
3 months	£528.5	......	£537.0
Producers	$830	......	$830

	Aug. 19 1985	+ or —	Month ago
OILS			
Coconut (Phil)	$440x	−20	$510
Palm Malayan	$410y	−5	$485
SEEDS			
Copra Phg	$310x	−10	$340
Soyabean (U.S.)	$214.5w	−4	$228.5
GRAINS			
Barley Fut. Nov.	£102.65	+0.35	£101.35
Maize	£132.40	......	£141.00
Wheat Fut. Nov.	£102.00	+0.55	£101.30
No. 2 Hard Wint.	‡		‡
OTHERS			
Cocoa Ft. Dec.	£1707	+0.5	£1673
Coffee Ft. Nov.	£1701	+13	£1591.5
Cotton A Index	56.70c	+0.45	50.55c
Gas Oil Oct.	$232.25	−0.5	$218
Rubber (kilo)	62p	−0.25	54p
Sugar (raw)	$120x	+5	$94
Wooltops 64s	427p kilo	−2	438pkl

‡ Unquoted. x Aug-Sept. w Sept. † Per 76 lb flask. c Cents per pound.

TIN

High grade	Unofficial close(p.m.) £ per tonne	+ or —	High/low for day
Cash	9085-90	−1.5	—
3 months	9052-4	−1.5	—

Official closing (am): cash 9050-5 (9086-7): three months 9055-60 (9055-60): settlement 9085 (9087).

Standard			
Cash	9085-90	−1	9090/9085
3 months	9050-1	−5	9050/9050

Official closing (am): cash 9088-90 (9086-7): three months 9051-2 (9052-3): settlement 9090 (9087). Final kerb close: 9051-55. Turnover: 1825 tonnes. Straits tin $m30.21 (30.87) kilo.

GOLD

Gold rose $1½ to $338¾-339 on the London bullion market yesterday. It opened at $338½-338¾ and was fixed at $339.25 in the morning and $340.90 in the afternoon. The metal touched a peak of $342-342½, on concern about continuing racial violence in South Africa, and the threat to supplies from the miner's strike due to start on August 25. Profit taking brought gold back to a low of $338¼-338¾.

GOLD BULLION (fine ounce) Aug. 16

Close	$338¾-339	(£241¾-242¼)
Opening	$338¾-339¼	(£241½-242)
M'n'g fix.	$339.25	(£242.062)
Aft'n'n fix	$340.90	(£242.979)

GOLD AND PLATINUM COINS

Kr'g'r'nd	$341¼-342¼	(£243¾-244½)
½ Krug.	$179¾-180¼	(£128½-128¾)
¼ Krug.	$91¾-92¼	(£65½-66)
1/10 Krug.	$37-38	(£26½-27¼)
Mapleleaf	$349¼-350½	(£249¾-250½)
New Sov.	$80-80½	(£57¼-57½)
½New Sov	$48½-49	(£34¾-35)
Old Sov.	$81½-83	(£58¼-59½)
$20 Eagle	$500-540	(£357¼-385¾)
Noble Plat	$341-345¼	(£249-252)

SILVER

Silver was fixed 3.15p an ounce higher for spot delivery in the London bullion market yesterday at 458.2p. U.S. cent equivalents of the fixing levels were: spot 638.7c, up 3.95c; three-month 651.1c, up 4.6c; six-month 664c, up 4.75c; and 12-month 693c, up 5.1c. The metal opened at 458-461p (642-645c) and closed at 453½-456½p (636-638c).

SILVER per troy	Bullion Fixing price	+ or —	L.M.E. p.m. Unoffic'l	+ or —
Spot	458.20p	+3.15	465p	−2.5
3 months	468.60p	+3.75	465p	−2.5
6 months	480.20p	+4.00	—	—
12months	504.20p	+4.35	—	—

LME—Turnover: 58 (7) lots of 10,000 oz.

Three months high 470.5, low 465, final kerb 465-6.5.

FREIGHT FUTURES

In very quiet trade values eased throughout the day with only modest buying in evidence, which was primarily on a scale-down basis, reports Clarkson Wolff. There was no fresh physical news. The Baltic Freight Index was 725.5, down 0.5.

	Close	High/Low	Prev
Oct.	825/827	834/824	832/834
Jan.	895/896	900/895	900/901
April	931/940	940/976	946/946
July	860/885	—	875/950
Oct.	925/980	—	916/1005
Jan.	935/985	—	940/1690
April	1010/1040	—	1000/1050
July	930/975	—	922/1025

Turnover: 47 (139).

GRAINS

Wheat was steady although trading was fairly thin. Lack of sellers, particularly in nearbys, was the main feature with continued speculation over the quality and size of the harvest. Barley was steadier on the back of wheat, reports Mairpace.

WHEAT Mnth	Yesterd'ys close	+ or —	BARLEY Yesterday's close	+ or —
Sept.	99.10	+0.75	99.20	+0.50
Nov.	102.00	+0.55	102.65	+0.35
Jan	105.75	+0.50	105.25	+0.50
Mar.	109.00	+0.50	102.80	+0.50
May	112.50	+0.45	112.00	−0.25
July	114.85	—	—	—

LONDON GRAINS—Wheat: U.S. dark northern spring No. 1 15 per cent. Sept 120.35, Oct 121.25, Nov 123.80, Dec 125.45 sellers transhipment east coast. U.S. No. 2 soft red winter, Sept 105.85, Oct 109.50, Nov 112.25, Dec 113.50 sellers. EC spot 116.50. Maize: U.S. No. 3 yellow/French transhipment east coast. Aug 133.40, Oct/Dec 130.00 sellers. Rest unquoted.

prices. Feed barley: Eastern 90.90, E. Mids 95.30, N. East 94.70, Scotland 100.70. The UK monetary coefficient for the week beginning Monday, August 26 (based on HGCA calculations using four days' exchange rates), is expected to remain unchanged at 0.984.

RUBBER

The London physical market opened about unchanged, drifted lower throughout the day and closed on an easier note, reports Lewis and Peat. Closing prices (buyers): spot 62.00p (62.25p) Sept 58.00p (58.25p); Oct 58.00p (58.25p). The Kuala Lumpur fob price for RSS No. 1 was 185.25 (185.5) cents a kg and for SMR 20 was 152.5 (same).

COCOA

In thin volumes, futures followed a rather aimless course within a £12 trading range. The lack of activity was reflected on the physical side with producers unwilling to trade and consumers, although price checking, content to await lower levels, reports Gill and Duffus.

COCOA	Yesterday's Close £ per tonne	+ or —	Business Done
Sept.	1699-1700	+1.50	1701-1692
Dec.	1706-1708	+0.50	1712-1700
Mar.	1722-1723	+0.50	1725-1717
May	1735-1736	−4.50	1746-1733
July	1750-1752	−4.00	1758-1750
Sept.	1763-1765	−2.50	—
Dec	1766-1770	−4.00	1775-1768

Sales: 1,809 (2,274) lots of 10 tonnes.

ICCO indicator prices (U.S. cents per pound). Daily price for August 19: 103.88 (104.07): five-day average for August 20: 103.26 (103.00).

INDICES

FINANCIAL TIMES

Aug. 16	Aug. 15	M'th ago	Year ago
259.87	266.56	266.34	290.55

(Base: July 1 1952 = 100)

REUTERS

Aug. 19	Aug. 16	M'th ago	Year ago
1688.2	1589.0	1679.4	1857.5

(Base: September 18 1931 = 100)

DOW JONES

Dow Jones	Aug. 16	Aug. 15	Month ago	Year ago
Spot	115.85	11.664	—	132.13
Fut.	115.63	115.83	—	122.90

(Base: December 31 1974 = 100)

COTTON

LIVERPOOL—No spot or shipment sales recorded. Lack of enterprise dominated and dealings were exceedingly mrs. Inquiry centred on specialist qualities.

COFFEE

The market firmed in anticipation of a stronger New York market but when the latter fell back prices eased. Values were supported by technical factors in the absence of fresh news.

COFFEE	Yesterdy's Close	+ or —	Business Done
Sept.	1659-65	+6.6	1670-55
Nov.	1700-02	+13.0	1708-90
Jan.	1730-35	+13.0	1739-24
March	1759-65	+12.0	1760-47
May	1765-70	−6.6	1788-66
July	1780-95	6.0	1790
Sept.	1790-30	+20.6	—

Sales: 4,542 (5,600) lots of 5 tonnes.

ICO indicator prices (U.S. cents per pound) for August 16: Comp. daily 1979 121.11 (120.57): 15-day average 118.66 (118.31).

SUGAR

LONDON DAILY PRICE—Raw sugar $120.00 (£86.00), up $3.00 (up £2.50) a tonne for August-September delivery. White sugar $159.50, up $2.50.

Sugar failed to hold early gains made possible by the strength in precious metals, reports C. Czarnikow.

Sales: 1,879 (3,496) lots of 50 tonnes.

Tate and Lyle delivery price for granulated basis sugar was £190.00 (£188.00) a tonne for export.

No. 6 Contract	Yest'day's close	Previous close	Business done
	$ per tonne		
Oct	117.4-117.6	120.4-120.6	122.2-117.4
Dec	119.2-119.6	124.6-125.0	125.6-119.4
Mar	129.8-129.9	134.2-134.4	136.2-128.6
May	153.8-153.4	157.6-158.0	158.8-153
Aug	137.8-157.4	142.6-143.8	147.5
Oct	141.8-142.6	146.0-148.6	—

International Sugar Agreement—(U.S. cents per pound fob and stowed Caribbean ports.) Prices for August 16: Daily price 4.21 (same): 15-day average 4.37 (same).

SOYABEAN MEAL

The market opened 30p easier in quiet trading, reports T. G. Roddick. Prices drifted on commission house selling.

	Yesterday close £ per tonne	+ or —	Business Done
October	111.5-112.0	−0.85	112.5-111.5
Dec	115.5-115.7	−0.85	116.0-115.5
Feb	120.0-120.2	−0.85	120.0
Apr	121.0-111.5	−1.15	—
June	122.0-122.5	−1.05	—
August	123.0-125.0	−0.80	—

Sales: 200 (195) lots of 20 tonnes.

OIL

Crude oil was little changed in thin trade. Nymex opened 5 down and traded a few cents either side of Friday's close for most of the day. Gas oil softened on lack of interest in a very quiet market. Heavy fuel prices rose again on limited supply and steady demand from power utilities—Petroleum Argus, London.

SPOT PRICES

	Latest	Change + or −
CRUDE OIL—FOB ($ per barrel)—Sept.		
Arab Light	27.35-27.45	—
Arab Heavy	25.25-25.50	—
Dubai	26.55-26.60	+0.05
Brent Blend	27.30-27.40	+0.05
W.T.I. (1 pm est)	27.80-28.05	+0.085
Forcados (Nigeria)	—	—
Urals (cif NWE)	26.25-26.60*	—

PRODUCTS—North West Europe
Prompt delivery cif ($ per tonne)

Premium gasoline	255-257	—
Gas Oil	237-238	−1
Heavy fuel oil	141-145	—
Naptha	246-248	+1

* August.

Petroleum Argus estimates

GAS OIL FUTURES

Month	Yest'day's Close $ U.S. per tonne	+ or —	Business Done
Sep	234.00	+0.25	235.50-33.75
Oct	232.25	−0.50	233.50-32.00
Nov	232.00	−0.50	234.25-31.50
Dec	232.25	−0.25	234.50-32.50
Jan	230.75	−1.50	—
Feb	228.00	−2.00	—

Turnover: 780 (2,301) lots of 100 tonnes.

POTATOES

The market was extremely firm on continued talk of weather having adverse effect on crops, although opinions seem to be divided. Stop-loss buying was triggered as the market broke through recent resistance levels, reports Coley and Harper.

Month	Yesterday's close £ per tonne	Previous close	Business Done
Nov	63.00	58.50	63.50-58.50
Feb	75.00	67.00	—
Apr	86.20	77.70	86.50-80.00
May	91.50	83.60	91.50-88.00

Sales: 1,690 (364) lots of 40 tonnes.

PIGMEAT

Trading was confined to October and November in a quiet market. Prices remained steady, reports CCST Commodities.

Month	Yesterdays close p. per kilo (deadweight)	Previous close	Business done
Oct.	110.40	109.50	110.4-110.0
Nov.	111.10	110.50	111.1-111.0
Feb.	100.90	100.90	—
April	101.00	101.00	—
June	100.90	100.50	—
Aug.	100.90	100.10	—

Sales: 22 (15) lots of 50 carcases, 3,250 kg.

U.S. MARKETS

GOLD AND SILVER closed mixed with gold showing modest gains on the South African situation while silver lacked fresh speculative interest, reports Heinold Commodities. Copper came under pressure from a larger than expected build-up in LME stocks along with fears that the U.S. economy could continue to show a sluggish tone. Aluminium was featureless with light selling evident on economic considerations. Sugar weakened on better than expected West German beet test results which discouraged fresh user interest. Cocoa lost ground on the issue of delivery notices by one prominent trade house which is holding substantial stocks. Coffee steadied on Scattered roaster interest. Cotton found light support on profit-taking linked to the step discount to loan. Heating oil moved sharply lower as markets became less concerned about the adequacy of spot supplies. Grains and soyabeans traded lower as good, widespread rains over the main production belt further improved crop prospects.

NEW YORK

ALUMINIUM 40,000 lb, cents/lb

	Close	High	Low	Prev
August	44.95			45.15
Sept	45.15	45.30	45.15	45.35
Oct	45.50	—	—	45.70
Dec	46.20	46.35	46.10	46.40
Jan	46.55	46.65	46.65	46.75
March	47.25	—	—	47.45
May	47.95	—	—	48.15
July	48.65	—	—	48.85
Sept	49.35	—	—	49.55
Jan	50.75	—	—	50.95

COCOA 10 tonnes, $/tonnes

	Close	High	Low	Prev
Sept	2086	2085	2075	2096
Dec	2166	2175	2145	2167
March	2208	2218	2202	2209
May	2233	2231	2226	2233
July	2256	—	—	2255
Sept	2268	—	—	2262
Dec	2291	—	—	2286

COFFEE "C" 37,000 lb, cents/lb

	Close	High	Low	Prev
Sept	135.05	136.70	135.70	135.56
Dec	139.56	139.70	138.70	138.70
March	140.49	140.50	139.00	139.70
May	140.86	140.80	140.00	139.86
July	141.12	—	—	140.76
Sept	141.40	—	—	140.55
Dec	140.50	—	—	140.05

COPPER 25,000 lb, cents/lb

	Close	High	Low	Prev
August	59.75	60.75	60.75	61.30
Sept	59.90	61.30	59.65	61.50
Oct	60.30	—	—	61.90
Dec	61.15	62.50	60.90	62.80
Jan	61.45	—	—	63.10
March	62.10	63.45	62.00	63.75
May	62.60	62.80	62.85	64.25
July	63.10	64.50	63.25	64.75
Sept	63.60	64.25	63.70	65.25
Dec	64.35	65.80	65.60	66.00

COTTON 50,000 lb, cents/lb

	Close	High	Low	Prev
Oct	58.10	58.22	57.65	57.80
Dec	58.58	58.75	58.15	58.40
March	59.60	59.90	59.55	59.80
May	59.99	60.10	59.90	60.05
July	59.78	59.75	59.65	59.75
Oct	54.85	—	—	54.67
Dec	53.95	54.00	53.65	53.70

CRUDE OIL (LIGHT) 42,000 U.S. gallons, $/barrels

	Latest	High	Low	Prev
Sept	28.01	28.05	27.94	28.03
Oct	27.50	27.58	27.44	27.54
Nov	27.11	27.27	27.07	27.25
Dec	26.81	27.00	26.78	27.02
Jan	26.57	26.74	26.58	26.78
Feb	26.36	26.50	26.35	26.56
March	26.25	26.25	26.20	26.33
April	25.80	26.00	25.80	26.10
May	25.70	25.75	25.99	25.90
June	25.45	25.45	25.45	25.70

GOLD 100 troy oz, $/troy oz

	Close	High	Low	Prev
August	338.1	342.2	337.5	337.9
Sept	339.3	340.5	340.5	339.2
Oct	341.4	345.6	339.6	341.2
Dec	345.8	350.2	344.2	345.6
Feb	350.3	354.7	349.4	350.1
April	354.8	359.0	354.5	364.6
June	359.6	362.5	360.8	359.6
August	365.0	369.5	362.5	364.8
Oct	370.4	373.0	371.0	370.2
Dec	375.6	379.5	375.5	375.7
Feb	381.6	383.5	381.6	381.4
April	387.5	388.4	388.4	387.4
June	393.8	—	—	393.4

HEATING OIL 42,000 U.S. gallons, cents/U.S. gallons

	Latest	High	Low	Prev
Sept	73.40	74.05	73.40	74.02
Oct	74.30	74.95	74.20	74.87
Nov	75.00	75.80	74.95	75.55
Dec	75.60	76.25	75.60	76.20
Jan	75.90	76.25	75.90	76.60
Feb	75.25	75.25	75.15	75.75
March	72.10	72.12	72.10	72.50
April	69.80	—	—	70.25
May	70.50	—	—	69.65

ORANGE JUICE 15,000 lb, cents/lb

	Close	High	Low	Prev
Sept	134.75	135.90	133.80	134.80
Nov	131.25	131.75	130.05	130.80
Jan	128.95	129.00	127.75	128.00
March	127.50	127.50	127.00	127.05
May	126.50	126.00	126.00	126.50
July	126.50	126.50	125.50	126.56

PLATINUM 50 troy oz, $/troy oz

	Close	High	Low	Prev
August	338.3	336.0	335.0	329.4
Oct	338.3	341.0	330.0	329.4
Jan	342.1	351.0	333.0	332.6
April	345.8	352.0	336.0	335.6
July	350.3	353.0	345.6	340.0
Oct	355.6	360.0	350.0	345.3

SILVER 5,000 troy oz, cents/troy oz

	Close	High	Low	Prev
August	630.5	640.0	635.0	640.3
Sept	632.5	647.0	629.0	642.5
Oct	637.0	—	—	647.6
Dec	645.2	660.0	642.0	655.6
Jan	649.9	665.0	654.0	660.3
March	658.6	675.0	658.0	669.1
May	667.4	681.0	665.0	675.6
July	677.7	691.0	660.0	688.5
Sept	688.2	702.0	694.0	699.1
Dec	704.3	719.0	709.0	715.5

SUGAR WORLD "11" 112,000 lb, cents/lb

	Close	High	Low	Prev
Sept	4.10	4.20	4.10	3.20
Oct	4.24	4.52	4.22	4.36
Jan	4.40	4.59	4.40	4.52
March	4.72	5.00	4.71	4.94
May	4.93	5.17	4.92	5.11
July	5.10	5.31	5.10	5.26
Sept	5.11	—	—	5.26
Oct	5.40	5.64	5.39	5.56

CHICAGO

LIVE CATTLE 40,000 lb, cents/lb

	Close	High	Low	Prev
Aug	54.72	55.00	54.65	54.90
Oct	56.22	56.55	55.70	56.70
Dec	57.87	58.20	57.47	58.22
Feb	58.27	58.70	57.90	58.82
April	59.25	59.80	59.10	59.80
June	60.40	60.75	60.00	60.75
August	59.85	59.65	58.85	59.85

LIVE HOGS 30,000 lb, cents/lb

	Close	High	Low	Prev
August	43.87	44.45	43.35	44.70
Oct	36.47	37.65	36.45	37.95
Dec	38.92	39.95	38.80	40.30
Feb	40.42	41.60	40.40	41.90
April	37.67	38.65	37.30	38.77
June	40.72	41.60	40.40	41.72
July	41.30	41.90	40.90	42.12
August	40.57	41.00	40.55	41.20
Oct	39.50	39.56	39.00	39.35

MAIZE 5,00 bu min, cents/56lb-bushel

	Close	High	Low	Prev
Sept	231.2	231.6	230.4	232.0
Dec	223.6	224.5	223.0	225.2
March	232.6	232.6	231.6	233.2
May	236.4	237.2	236.0	237.2
July	237.0	238.2	236.4	237.4
Sept	228.5	229.6	228.8	227.8
Dec	223.	225.0	223.0	225.0

PORK BELLIES 38,000 lb, cents/lb

	Close	High	Low	Prev
August	46.65	49.20	46.65	48.65
Feb	56.77	58.85	56.72	58.72
March	56.62	58.55	56.50	58.45
May	58.30	59.85	58.30	60.30
July	58.25	60.25	58.25	60.10
August	56.30	58.50	56.30	58.30

SOYABEANS 5,0000 bu min, cents/60lb-bushel

	Close	High	Low	Prev
August	512.6	521.4	518.4	521.6
Sept	506.0	510.0	505.3	510.4
Nov	509.6	512.4	508.6	513.4
Jan	518.6	522.0	518.0	522.2
March	528.4	532.0	528.0	532.2
May	536.4	540.0	536.4	540.2
July	540.5	544.4	539.4	543.2
August	537.4	537.4	537.4	538.4
Sept	534.6	—	—	537.0
Nov	532.6	535.0	530.4	536.6

SOYABEAN MEAL 100 tons, $/ton

	Close	High	Low	Prev
August	122.4	123.6	122.4	123.7
Sept	123.1	124.1	123.0	124.4
Oct	124.5	125.7	124.5	125.8
Dec	127.7	128.4	127.6	128.2
Jan	128.2	130.0	129.2	130.8
March	131.8	133.0	131.8	133.5
May	134.4	135.6	134.0	135.8
July	137.0	137.8	137.0	138.0
August	136.5	—	—	138.5
Sept	137.0	—	—	140.0

SOYABEAN OIL 60,000 lb, cents/lb

	Close	High	Low	Prev
August	22.25	22.45	22.22	22.57
Sept	22.23	22.48	22.21	22.54
Oct	22.21	22.40	22.18	22.50
Dec	22.21	22.43	22.20	22.48
Jan	22.31	22.56	22.31	22.60
March	22.53	22.85	22.51	22.80
May	22.75	23.10	22.76	22.90
July	22.90	23.05	22.90	23.05
August	22.93	23.00	22.93	23.00
Sept	22.86	23.00	22.86	22.91

WHEAT 5,000 bu min, cents/60lb-bushel

	Close	High	Low	Prev
Sept	287.5	292.0	287.4	289.4
Dec	303.4	305.3	302.0	308.4
March	307.3	309.4	307.4	311.4
May	300.2	301.2	299.5	302.0
July	276.6	279.0	276.4	280.0
Sept	280.2	—	—	283.0

OTHER MARKETS

MEAT

MEAT COMMISSION—Average fatstock prices at representative markets. GB—Cattle, 96.30p per kg lw (−0.79). GB—Sheep, 157.53p per kg est dcw (−0.07). GB—Pigs, 78.98p per kg lw (−0.91).

SMITHFIELD—Pence per pound. Beef—Scotch killed sides 78.0-81.0; English forequarters 54.5-58.5; Ulster hindquarters 86.0-90.0. Veal—Dutch hinds and ends 138.0-142.0. Lamb—English small 72.0-78.0, medium 69.0-72.0; heavy 66.0-69.0; Scotch heavy 64.0-67.0; Imported: New Zealand PL 65.0-65.5; PX 64.5-65.0. Pork—English under 100 lb 48.0-57.5, 100-120 lb 52.0-58.5, 120-160 lb 46.0-53.0.

JUTE

JUTE—Aug/Sept shipment c and f Dundee, BTC $515, BWC $510, BTD $490, BWD $485; c and f Antwerp, BTC $515, BWC $510, BTD $490, BWD $480; c and f Dundee, ex-India August shipment, 40 in 10 oz £20.09, 40 in 7.5 oz £15.22, 5 Twills £56.33.

WOOL FUTURES

SYDNEY GREASY WOOL—Close (in order: buyer, seller, business). Australian cents per kg. Oct 611.0, 615.0; Dec 616.0, 621.0; March 623.0, 627.0; May 633.0, 637.0; July 634.0, 638.0; Oct 622.0, 638.0; Dec 626.0, 644.0; March 630.0, 650.0. Sales: 0.

SPOT PRICES — Chicago loose lard 18.50 (same) cents per pound. New York tin 584.0-87.0 (583.0-87.0) cents per pound. Handy and Harman silver bullion 634.0 (638.5) cents per troy ounce.

CURRENCIES, MONEY and CAPITAL MARKETS

FOREIGN EXCHANGES

$ quiet ahead of GNP revision

The dollar closed little changed on the day in London, as dealers awaited today's revised figure on U.S. second quarter Gross National Product. It was generally expected the figure will be lower than the earlier estimate of 1.7 per cent growth, possibly rising by only 1.0-1.3 per cent. Trading was within a narrow range, with the dollar finding support at the DM 2.74 level. Another significant event today will be a meeting of the Federal Reserve Open Market Committee, but no change in U.S. monetary policy is anticipated.

The dollar touched a peak of DM 2.7665 during the morning, but was unable to sustain this level, and slipped back on nervousness and reluctance to take positions ahead of the GNP revision. Towards the London close the dollar found some renewed demand, and managed to shrug off an unexpected $1.5bn of temporary liquidity added to the New York banking system through customer repurchase agreements by the Federal Reserve. The dollar finished at DM 2.7630, compared with DM 2.7575 on Friday, and also rose to FFr 8.4350 from FFr 8.42 SwFr 2.2610 from SwFr 2.2585; and Y236.80 from Y236.75. On Bank of England figures the dollar's index rose to 136.0 from 135.9.

STERLING — Trading range against the dollar in 1985 is 1.4290 to 1.0625. July average 1.3783. Exchange rate index fell to 82.1 from 82.2. It opened at 82.1, and after rising to a high of 82.2 at 9 am and a low of 82.0 at 11 am, was steady at 82.1 for the rest of the day.

Sterling held steady against the dollar, and gained ground against other major currencies as the Bank of England continued to give no encouragement on lower interest rates to the London money market. The interest rate differential in favour of London, after last week's cut in German rates, lifted the pound to DM 3.8675 from DM 3.8575. It also improved to FFr 11.81 from FFr 11.8025; SwFr 3.1650 from SwFr 3.1550; and Y331.50 from Y331. Sterling lost 10 points in terms of the dollar to $1.3990-1.4000.

D-MARK — Trading range against the dollar in 1985 is 3.4510 to 2.7575, July average 2.9134. Exchange rate index 126.9 against 118.8 six months ago.

The D-mark closed unchanged against the dollar in Frankfurt yesterday. The U.S. currency was quoted at DM 2.7595, after being fixed earlier in the day at DM 2.7647 compared with DM 2.7630, without intervention by the Bundesbank. Attempts to test highs at around DM 2.7660 proved short lived, but there was also strong resistance at DM 2.74. The rise in U.S. personal income and spending in July was in line with expectations, but may have helped support the dollar ahead of today's second quarter GNP revision. Falling German interest rates had little impact, with call money falling to 4.55 ing rates by up to 0.3 per cent.

STERLING INDEX

	Aug. 19	Previous
8.30 am	82.1	82.4
9.00 am	82.2	82.9
10.00 am	82.2	82.4
11.00 am	82.0	82.2
Noon	82.1	82.0
1.00 pm	82.1	82.0
2.00 pm	82.1	82.2
3.00 pm	82.1	82.0
4.00 pm	82.1	82.2

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu central rates	Currency amounts against Ecu August 19	% change from central rate	% change adjusted for divergence	Divergence limit %
Belgian Franc	44.8320	45.0928	+0.58	+0.86	±1.5425
Danish Krone	8.12857	8.06118	−0.83	−0.55	±1.6421
German D-mark	2.23840	2.22462	−0.62	−0.34	±1.1456
French Franc	6.86402	6.79838	−0.96	−0.68	±1.3654
Dutch Guilder	2.52208	2.50652	−0.62	−0.34	±1.5162
Irish Punt	0.724578	0.716335	−1.14	−0.86	±1.6673
Italian Lira	1520.60	1492.08	−1.88	−1.88	±4.0856

Changes are for Ecu, therefore positive change denotes a weak currency. Adjustment calculated by Financial Times.

£ IN NEW YORK

	Aug. 19	Prev. close
£ Spot	$1.3978-1.3988	$1.4015-1.4025
1 month	0.48-0.44 pm	0.48-0.41pm
3 months	1.10-1.07 pm	1.08-1.05pm
12 months	2.65-2.58 pm	2.55-2.45pm

Forward premiums and discounts apply to the U.S. dollar

POUND SPOT—FORWARD AGAINST POUND

August 19	Day's spread	Close	One month	% p.a.	Three months	% p.a.
U.S.	1.3960-1.4125	1.3980-1.4000	0.47-0.44c pm	3.90	1.10-1.06pm	3.09
Canada	1.8900-1.9006	1.8968-1.9002	0.50-0.41c pm	2.88	1.06-0.95pm	2.14
Nethlnd.	4.33-4.38⅞	4.35-4.36	2⅛-2c pm	6.02	5⅞-5⅝pm	5.22
Belgium	78.07-78.73	78.30-78.40	19-11c pm	2.30	32-14pm	1.17
Denmark	13.98¾-14.11	14.10-14.11	3⅞-2⅞ore pm	2.87	7⅞-6⅞pm	2.07
Ireland	1.2438-1.2484	1.2441-1.2451	0.20-0.05p pm	1.20	0.39-0.18pm	0.87
W. Ger.	3.84-3.88	3.86½-3.87½	2⅝-2¼pf pm	7.37	6⅝-6⅛pm	6.53
Portugal	228.41-232.48	229.44-232.48	65-420c dis	−12.68	450-1510d	−16.97
Spain	227.34-228.14	227.82-228.14	135-280c dis	−10.93	415-700dis	−9.78
Italy	2,581½-2,607¾	2,590-2,592	1lire pm-4 dis	−0.69	10-18dis	−2.10
Norway	11.40¾-11.44½	11.42½-11.43½	½-1¼ore dis	−0.92	3⅜-4⅜dis	1.31
France	11.78¾-11.86¾	11.80½-11.81½	1½-⅛c pm	0.95	1-2⅞dis	−0.66
Sweden	11.524-11.586	11.55-11.56	3¼-4⅜ore dis	−3.12	10⅝-11⅞dis	−3.83
Japan	330½-333½	331-332	1.65-1.55y pm	5.79	4.00-3.90pm	4.77
Austria	27.12-27.21	27.15-27.21	15¾-14½gro pm	6.68	39⅞-36¾pm	0.58
Switz.	3.1415-3.1826	0.16-3.17	2⅝-1⅞gro pm	7.58	5⅞-4⅞pm	6.40

Belgian rate is for convertible francs. Financial franc 79.25-79.50. Six-month forward dollar 1.76-1.71c pm. 12-month 2.60-2.45c pm.

DOLLAR SPOT—FORWARD AGAINST DOLLAR

August 19	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	1.3960-1.4125	1.3990-1.4000	0.47-0.44c pm	3.90	1.10-1.06pm	3.09
Ireland†	1.1223-1.1297	1.1235-1.1245	0.30-0.20c pm	2.67	0.70-0.55pm	2.22
Canada	1.3521-1.3560	1.3550-1.3560	0.10-0.13c dis	−1.02	0.30-0.35dis	−0.96
Nethlnd.	3.0925-3.1145	3.1105-3.1115	0.60-0.56c pm	2.24	1.74-1.70pm	2.21
Belgium	55.75-56.15	56.00-56.10	7-9c dis	−1.71	23-30dis	−1.89
Denmark	—	10.01½-10.02	⅛-⅝ore dis	−0.60	⅞-1¼dis	−0.40
W. Ger.	2.7400-2.7665	2.7625-2.7635	0.86-0.83pf pm	3.67	2.44-2.39pm	0.50
Portugal	164½-166	165-166	100-350c dis	−19.31	450-1200d	−19.94
Spain	162.20-162.95	162.75-162.85	75-175c dis	−0.21	250-450dis	−0.60
Italy	1,845-1,855½	1,851½-1,852½	7-8½lire dis	−5.02	24-26½dis	−6.45
Norway	—	8.16⅞-8.17⅞	3⅞-3⅞ore dis	−0.14	9-9⅞dis	−4.47
France	8.40-8.45¾	8.43¾-8.43¾	1.60-1.90c dis	−2.49	6.75-7.50dis	−3.38
Sweden	—	8.24½-8.25	5-5⅞ore dis	−7.83	13⅞-14⅞dis	−6.79
Japan	236.00-237.25	236.75-236.85	b.37-0.32y pm	1.75	1.08-0.98pm	1.74
Austria	19.31-19.44	19.42-19.44	5-4⅞gro pm	2.86	13½-11pm	2.53
Switz.	2.2510-2.2700	2.2605-2.2610	0.76-0.70c pm	3.88	1.95-1.90pm	3.42

† UK and Ireland are quoted in U.S. currency. Forward premiums and discounts apply to the U.S. dollar and not to the individual currency. Belgian rate is for convertible francs. Financial franc 56.70-56.80.

OTHER CURRENCIES

Aug. 19	£	$		£ Note Rates
Argentina Austl.	1.1192-1.1814	0.8000-0.8019	Austria	27.05-27.35
Australia Dollar	1.9880-1.9860	1.4160-1.4180	Belgium	79.00-79.80
Brazil Cruzeiro	9,415-9,460	6,730-6,750	Denmark	10.95-14.06
Finland Markka	8.2365-8.2665	5.8945-5.8965	France	11.77-11.90
Greek Drachma	181.14-186.00	129.24-101.96	Germany	3.85½-3.89½
Hongkong Dollar	10.0175-10.9225	7.7960-7.7800	Italy	2575-2615
Iran Rial	120.40*	89.30*	Japan	331-335
KuwaitDinar(KD)	9.4228-0.4234	0.30160-0.30170	Netherlands	4.34-4.38
LuxembourgFr.	78.30-78.40	56.00-56.10	Norway	11.39-11.50
Malaysia Ringgit	3.4400-3.4450	2.4580-2.4600	Portugal	224-240
NewZealand Dlr.	2.6635-2.8785	1.9010-1.0120	Spain	220-231
Saudi Arab Riyal	5.1175-5.1225	0.6509-3.6607	Sweden	11.50-11.62
Singapore Dollar	3.0975-3.1025	0.2130-2.2150	Switzerland	3.10¼-3.19¼
Sth African Rand	3.3593-3.5665	2.3860-2.4040	United States	1.39¼-1.41¼
U.A.E. Dirham	5.1480-5.1532	3.6720-3.6730	Yugoslavia	360-405

* Selling rate.

CURRENCY MOVEMENTS

Aug. 19	Bank of England Index	Morgan Guaranty Change %
Sterling	82.1	−8.3
U.S. dollar	136.9	+23.9
Canadian dollar	86.1	−7.3
Austrian schilling	117.4	+4.2
Belgian franc	81.3	−10.4
Danish Kroner	80.0	−4.7
Deutsche mark	128.9	+8.9
Swiss franc	150.2	+12.9
Guilder	116.7	+4.8
French franc	67.7	−10.3
Lira	44.0	−19.9
Yen	156.9	+13.5

Morgan Guaranty changes: average 1980-1982=100. Bank of England Index (base average 1975=100).

CURRENCY RATES

Aug. 19	Bank rate %	Special Drawing Rights	European Currency Unit
Sterling	—	0.741670	0.575626
U.S.$	7½	1.03678	0.805877
Canadian $	9.30	*	1.09172
Austria Sch.	4	20.1332	15.6340
Belgian Fr.	10	58.0682	45.0928
Danish Kr.	7	10.3834	8.06118
D mark	4	2.86639	2.22462
Guilder	0	0.22853	2.50662
French Fr.	0½	8.75042	8.70838
Lira	15½	1919.81	1492.08
Yen	5	245.147	190.791
Norway Kr.	8	8.46479	6.58321
Span'h Pta.	—	168.688	131.076
Swedish K.	10½	8.55084	6.64666
Swiss Fr.	4	2.34748	1.82064
Greek Dr'ch	20½	136.000	105.425
Irish Punt	13½	0.921562	0.716335

* C$/SDR rate for Aug 10: 1.40310

EXCHANGE CROSS RATES

Aug. 10	Pound St'ling	U.S. Dollar	Deutschemk.	J'panese Yen	FrenchFranc	Swiss Franc	Dutch Guild	Italian Lira	Canada Dollar	Belgian Fran
Pound Sterling	1.	1.400	3.868	331.0	11.81	0.165	4.355	2591.	1.899	78.35
U.S. Dollar	9.716	1.	2.763	236.5	8.436	2.261	3.111	1852	1.307	56.08
Deutschemark	0.259	0.362	1.	85.71	3.054	0.818	1.126	669.9	0.491	20.26
Japanese Yen 1,000	3.017	4.229	11.97	1000.	35.65	0.548	13.14	7816.	5.727	236.5
French Franc 10	0.847	1.186	3.275	280.7	10.	2.680	3.688	2194.	1.608	66.34
Swiss Franc	0.316	9.442	1.222	104.7	3.731	1.	1.376	818.8	0.600	24.70
Dutch Guilder	0.230	0.321	0.888	76.12	2.710	0.727	1.	594.9	0.436	17.99
Italian Lira 1,000	0.386	9.540	1.493	127.9	4.558	1.222	1.681	1000.	0.733	30.24
Canadian Dollar	0.527	0.737	2.037	174.6	6.221	1.667	2.294	1365.	1.	41.27
Belgian Franc 100	1.873	1.796	4.936	423.1	15.07	4.040	5.558	3307.	2.423	100.

EURO-CURRENCY INTEREST RATES (Market closing rates)

Aug. 19	Sterling	U.S. Dollar	Canadian Dollar	Dutch Guilder	Swiss Franc	D-mark	French Franc	Italian Lira	Belgian Franc Conv.	Belgian Franc Fin.	Yen	Danish Krone
Short-term	12-12½	8⅛-8¼	8½-8¾	5⅛-5⅜	1⅛-1¾	4⅝-4½	0¼-9¾	8-13	8¼-9	9¼-9½	6⅛-6¼	8¾-8¼
7 days' notice	11⅛-10	7⅞-8⅛	8⅝-8⅞	5⅜-5⅝	1⅝-1⅝	4⅝-4⅞	9⅝-9⅞	11½-14½	8⅝-9⅜	9-9¼	6⅛-6¼	0⅛-9⅝
Month	11⅝-11¾	7⅞-8	8¾-8⅞	5⅜-5⅝	4⅛-4⅞	4⅛-4⅞	0⅞-10⅛	11⅞-13⅛	8⅞-10¼	9-9¼	6⅛-6⅜	8⅝-9⅛
Three months	11¼-11⅜	8-8⅛	8⅞-9	5¾-6⅛	4⅝-4⅝	4½-4⅝	11-11¼	10⅛-13⅞	9⅜-10¼	9½-9¾	6⅜-6⅞	8⅝-8⅞
Six months	10⅞-11	8⅛-8⅜	9⅛-9⅜	5¾-6⅛	4¾-4⅞	4⅝-4¾	11⅛-11⅝	10⅝-14	9¾-10¼	8⅝-8⅞	6⅛-6⅝	8¾-9¼
One year	10⅞-10⅞	8⅜-8⅝	8½-9⅛	5⅜-5⅝	4⅜-4⅝	4⅜-4⅜	11¾-12	13⅞-14⅝	9¾-10¼	9¾-10	6⅛-6⅝	9⅛-9⅝

Asian $ (closing rates in Singapore): Short-term 8⅛-8⅜ per cent; seven days 7$^{15}_{16}$-8⅛ per cent; one month 7$^{15}_{16}$-8$^{1}_{16}$ per cent; three months 8$^{1}_{16}$-8$^{3}_{16}$ per cent; six months 8$^{3}_{16}$-8$^{5}_{16}$ per cent; one year 8$^{9}_{16}$-8$^{11}_{16}$ per cent. Long-term Eurodollars: two years 9⅛-9⅜ per cent; three years 10-10⅛ per cent; four years 10⅛-10½ per cent; five years 10½-10⅝ per cent nominal. Short-term rates are call for U.S. dollars and Japanese yen; others two days' notice.

MONEY MARKETS

UK long term rates ease

Longer term rates fell slightly in London yesterday, reflecting sterling's competent performance and continued hopes of a cut in base rates. However short term funds were in short supply and the authorities gave no indication to suggest a softer trend for the time being. Three-month interbank money was quoted at 11¼-11⅜ per cent compared with 11¼-11$\frac{7}{16}$ per cent, while three-month eligible bank bills were bid at 10$\frac{15}{16}$ per cent from 11 per cent. Overnight interbank money touched 13 per cent and did not fall below 11 per cent.

The Bank of England forecast a shortage of around £850m with factors affecting the market including maturing assistance and a take up of Treasury bills together draining £1,408m and banks' balances brought forward £65m below target. These were partly offset by Exchequer transactions which added £220m and a fall in the note circulation of £280m. The Bank gave assistance in the morning of £194m, having revised the forecast to a shortage of around £900m, through purchases of eligible bank bills in band 2 (15-33 days) at 11$\frac{7}{16}$ per cent.

It gave further help in the afternoon of £564m and this comprised purchases of £5m of eligible bank bills in band 1 (up to 14 days) at 11½ per cent, £430m in band 2 at 11$\frac{7}{16}$ per cent, £121m in band 3 (34-63 days) at 11⅜ per cent and £3m in band 4 (64-91 days) at 11$\frac{5}{16}$ per cent. It also provided late assistance of £155m, making a total of £913m.

In Frankfurt the Bundesbank announced its intention to offer temporary liquidity through a 35-day repurchase agreement at a rate of 4.6 per cent. The rate had already been made known to underline the Bank's recent cut in lending rates. Banks will be credited with funds tomorrow and the size of the facility is expected to match and coincide with an expiring facility worth DM 12bn. Call money was easier at 4.5 per cent compared with 4.7 per cent on Friday.

UK clearing banks base-lending rate 12 per cent since July 11-16.

MONEY RATES

Aug. 19	Frankfurt	Paris	Zurich	Amst'dam	Tokyo	Milan	Brussels	Dublin
Overnight	4.5-4.6	9⅝	1¼-1¾	0¾-0⅞	5.15625	14⅝-14¾	8.65	11¼-11½
One Month	4.0-4.7	9$\frac{11}{16}$-9$\frac{13}{16}$	4¼-4½	5¾-5⅞	6.34375	13⅞-14¼	8¼-9⅝	10⅝-10⅞
Two Months	4.6-4.7	9¾-9⅞	—	—	—	—	—	10½-10¾
Three Months	4.6-4.7	9$\frac{11}{16}$-9$\frac{13}{16}$	4⅛-4¼	5$\frac{11}{16}$-5$\frac{13}{16}$	6.34375	14¼-14⅝	0⅛-9¾	10⅝-10⅝
Six Months	4.7-4.8	9$\frac{15}{16}$-10$\frac{1}{16}$	—	0¾-0⅞	—	—	0⅝-9⅞	10¼-10⅛
Lombard	0.5	—	—	—	—	—	—	—
Intervention	—	9⅝	—	—	—	—	—	—

LONDON MONEY RATES — Discount Houses Deposit and Bill Rates

Aug. 10 1985	Sterling Certificate of deposit	Interbank	Local Authority deposits	Company Deposits	Market Deposits	Treasury (Buy)	Treasury (Sell)	Eligible Bank (Buy)	Eligible Bank (Sell)	Fine Trade (Buy)
Overnight	—	11-13	12	11½-12½	11-12	—	—	—	—	—
2 days notice	—	—	11⅝	—	—	—	—	—	—	—
7 days or	—	—	—	—	—	—	—	—	—	—
7 days notice	—	11¾-12⅛	11⅝	12⅛	11⅝-¾	—	—	—	—	—
One month	11$\frac{9}{16}$-11$\frac{7}{16}$	11⅝-11¾	11⅝	11⅞	11½	11⅜	11$\frac{5}{16}$	11⅝	11$\frac{5}{16}$	12
Two months	[illegible]	[illegible]	11⅝	11⅝	11	11⅛	11$\frac{1}{16}$	11$\frac{5}{16}$	11⅛-11$\frac{1}{16}$	11⅞
Three months	[illegible]	11¼-11⅜	11⅜	11⅜	11⅛	11	—	11	10$\frac{15}{16}$	11⅝
Six months	[illegible]	11-11⅛	11	11	—	—	—	10¾	10⅝	11¼
Nine months	[illegible]	[illegible]	—	—	—	—	—	—	—	—
One year	10⅝-10½	10⅞-10⅝	10⅞	—	—	—	—	—	—	—

	Local Auth. negotiable bonds	Local Authority Deposits	Finance House Deposits	$ Cert of Deposits	SDR Linked Deposits	ECU Linked Deposits
One month	12⅛-11⅞	—	11⅝	7.8-7.9	7⅛-7⅞	9⅝-9⅞
Two months	11⅞-11⅝	—	11⅝	7.8-7.9	7⅛-7⅞	9⅝-9⅞
Three months	11¾-11½	—	11⅜	7.9-8.0	7⅞-8	9½-9¾
Six months	11½-11¼	—	11	8.05-8.1	7⅞-8⅛	9¼-9½
Nine months	11¼-11	—	11	8.25-8.3	—	—
One year	11⅛-11	10⅝	10⅞	8.4-8.5	7⅞-8¼	9⅛-9⅜
Two years	—	10⅝	—	—	—	—
Three years	—	10⅝	—	—	—	—
Four years	—	10⅝	—	—	—	—
Five years	—	10⅝	—	—	—	—

ECGD Fixed Finance IV: Average Rate of interest period July 3 to August 6 (inclusive): 11.389 per cent. Local authority and finance houses seven days' notice, others seven days' fixed. Finance Houses Base Rate (published by the Finance Houses Association): 12½ per cent from August 1 1985. London and Scottish Clearing Bank Rates for lending 11½ per cent. Bank Deposit Rates for sums at seven days' notice 8.25-8.625 per cent (net). Certificates of Tax Deposit (Series 6): Deposits £100,000 and over held under one month 11¼ per cent; one-three months 11½ per cent; three-six months 11¼ per cent; six-nine months 11¼ per cent; nine-12 months 11 per cent. Under £100,000 10¾ per cent from August 9. Deposits held under Series 5 11 per cent. The rate for all deposits withdrawn for cash 7½ per cent.

MONEY RATES — NEW YORK (Lunchtime)

Prime rate	9½
Broker loan rate	9
Fed funds	8
Fed funds at intervention	8

Treasury Bills

One month	6.79
Two month	7.11
Three month	7.27
Six month	7.46
One year	7.58

Treasury Bonds

Two year	8.87
Three year	9.23
Four year	9.49
Five year	9.73
Seven year	10.02
10-year	10.22
30-year	10.51

FT LONDON INTERBANK FIXING

(11.00 a.m. Aug. 19)
3 months U.S. dollars

bid 8 | offer 8 1/8

6 months U.S. dollars

bid 8 3/16 | offer 8 5/16

The fixing rates are the arithmetic means, rounded to the nearest one sixteenth, of the bid and offered rates for $10m quoted by the market to five reference banks at 11 a.m. each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque Nationale de Paris and Morgan Guaranty Trust.

FINANCIAL FUTURES

Eurodollars up

Eurodollar prices were firmer in the London International Financial Futures Exchange yesterday despite a firm Federal funds rate. The market remained optimistic that cash rates would fall and that the U.S. authorities would soon reduce the discount rate.

In the short term, however, there appeared to be little incentive to move much outside recent trading ranges ahead of today's revised second quarter GNP figures. Early trading saw values pushed firmer in good two-way business before selling took the upper band just before the opening of Chicago. A rise in U.S. personal income was much in line with expectations although spending figures were seen by some as disappointing. Short covering in the bonds sector tended to drive values still firmer during the afternoon but almost inevitably selling developed at the higher levels.

Sterling-based instruments were confined to a relatively narrow range in quiet trading. The market appeared to be divided as to the prospects for interest rates in the light of sterling's performance against the dollar.

LONDON

THREE-MONTH EURODOLLAR $1m points of 100%

	Close	High	Low	Prev
Sept	91.92	91.96	91.89	91.85
Dec	91.55	91.59	91.52	91.45
March	91.16	91.19	91.12	91.04
June	90.78	90.78	90.76	90.66
Sept	90.44	90.40	90.40	90.30

Est volume 3,743 (4,893)
Previous day's open int 20,369 (20,329)

THREE-MONTH STERLING £500,000 points of 100%

	Close	High	Low	Prev
Sept	88.86	88.88	88.84	88.83
Dec	89.70	89.75	89.70	89.71
March	89.95	89.95	89.90	89.95
June	90.21	[illegible]	[illegible]	[illegible]
Sept	90.30	[illegible]	[illegible]	[illegible]

Est volume 901 (1,468)
Previous day's open int 7,292 (7,418)

20-YEAR 12% NOTIONAL GILT £50,000 32nds of 100%

	Close	High	Low	Prev
Sept	112-13	112-18	112-05	112-12
Dec	112-21	112-22	112-10	112-17
March	113-05	—	—	113-01

Est volume 1,185 (908)
Previous day's open int 3,702 (3,503)
Basis quote (clean cash price of 13¼% Treasury 2004/08 less equivalent price of near futures contract) −18 to −8 (32nds)

STERLING £25,000 $ per £

	Close	High	Low	Prev
Sept	1.3995	1.4000	1.3945	1.3990
Dec	1.3995	1.3995	1.3995	1.3935
March	1.3910	—	—	1.3858

Est volume 86 (152)
Previous day's open int 3,250 (3,218)

DEUTSCHE MARKS DM 125,000 $ per DM

	Close	High	Low	Prev
Sept	0.3627	0.3638	0.3625	0.3634
Dec	0.3661	0.3667	0.3661	0.3671

Est volume 41 (11)
Previous day's open int 216 (217)

SWISS FRANCS SwFr 125,000 $ per SwFr

	Close	High	Low	Prev
Sept	0.4428	0.4434	0.4424	0.4437

Est volume 5 (0)
Previous day's open int 206 (208)

JAPANESE YEN Y12.5m $ per Y100

	Close	High	Low	Prev
Sept	0.4227	0.4233	0.4229	0.4232
Dec	0.4257	—	—	0.4252
March	0.4271	—	—	0.4275

Est volume 2 (3)
Previous day's open int 170 (171)

FT-SE 100 INDEX £25 per full index point

	Close	High	Low	Prev
Sept	129.80	130.60	129.65	130.30
Dec	130.40	—	—	131.00

Est volume 43 (68)
Previous day's open int 1,443 (1,460)

U.S. TREASURY BONDS 8% $100,000 32nds of 100%

	Close	High	Low	Prev
Sept	76-30	77-03	76-19	75-31
Dec	75-30	75-31	75-18	74-27
March	74-30	—	—	73-27

Est volume 2,142 (2,574)
Previous day's open int 2,791 (2,617)

CHICAGO

U.S. TREASURY BONDS (CBT) 8% $100,000 32nds of 100%

	Latest	High	Low	Prev
Sept	76-26	77-04	76-17	75-24
Dec	75-27	76-01	75-17	75-21
March	74-27	75-01	74-18	74-21
June	73-28	74-03	73-19	73-23
Sept	73-00	73-02	72-22	72-27
Dec	—	—	—	72-01
March	—	—	—	71-09
June	—	—	—	70-19
Sept	—	—	—	69-13
Dec	—	—	—	69-29

U.S. TREASURY BILLS (IMM) $1m points of 100%

	Latest	High	Low	Prev
Sept	92.94	92.97	92.90	92.93
Dec	92.64	92.66	92.58	92.60
March	92.29	92.32	92.26	92.26
June	91.95	91.98	—	91.90
Sept	91.64	91.66	91.64	91.59
Dec	91.38	91.38	—	92.31
March	91.10	91.10	—	91.04
June	90.84	—	—	90.79

CERT. DEPOSIT (IMM) $1m points of 100%

	Latest	High	Low	Prev
Sept	92.26	92.27	92.22	92.24
Dec	91.90	91.90	91.86	91.86
March	91.50	91.50	—	91.44
June	—	—	—	91.05

THREE-MONTH EURODOLLAR (IMM) $1m points of 100%

	Latest	High	Low	Prev
Sept	91.92	91.96	91.89	91.91
Dec	91.54	91.59	91.50	91.52
March	91.15	91.19	91.09	91.11
June	90.77	90.80	90.77	90.72
Sept	—	90.38	—	90.37
Dec	—	90.11	90.06	90.04
March	—	89.76	—	89.72
June	—	89.50	89.50	89.43

STERLING (IMM) Se per £

	Latest	High	Low	Prev
Sept	1.3995	1.4010	1.3860	1.3960
Dec	1.3865	1.3925	1.3840	1.3870
March	—	1.3840	1.3840	1.3815
June	—	—	—	1.3785
Sept	—	—	—	1.2506

GNMA (CBT) 8% $100,000 32nds of 100%

	Latest	High	Low	Prev
Sept	76-04	76-14	76-04	75-21
Dec	75-11	75-21	75-19	75-07
March	—	—	—	74-16
June	—	—	—	73-28
Sept	—	—	—	73-12

LIFFE OPTIONS REPORT

Sterling Currency—£25,000 c per £: Quiet volume in narrow trading range ahead of tomorrow's second quarter U.S. G.N.P. figures.

Est volume Calls	Est volume Puts	Previous day's open interest Calls	Previous day's open interest Puts
470	336	8966	6983

Eurodollar Future—points of 100%: Eurodollar deposit rates remained steady whilst awaiting tomorrow's U.S. G.N.P. figures.

Est volume Calls	Est volume Puts	Previous day's open interest Calls	Previous day's open interest Puts
15	55	1204	1189

For full details of settlement prices call: Louise Powell of LIFFE on 01-623 0444
LIFFE, ROYAL EXCHANGE, LONDON EC3V 3PJ

Company Notices

£ WORLD VALUE OF THE POUND

The table below gives the latest available rate of exchange for the pound against various currencies on August 19, 1985. In some cases rate is nominal. Market rates are the average of buying and selling rates except where they are shown to be otherwise. In some cases market rates have been calculated from those of foreign currencies to which they are tied.

Abbreviations: (A) approximate rate, no direct quotation available; (F) free rate; (P) based on U.S. dollar parities and going sterling-dollar rates; (T) tourist rate; (Bas) basic rate; (bg) buying rate; (Bk) bankers' rates; (cm) commercial rate; (ch) convertible rate; (fn) financial rate; (exC) exchange certificate rate; (nc) non commercial rate; (nom) nominal; (o) official rate; (sg) selling rate; (c) controlled rate; (u) unified rate.

COUNTRY	CURRENCY	VALUE OF £ STERLING
Afghanistan	Afghani	99.00
Albania	Lek	10.2060
Algeria	Dinar	(A)6.90
Andorra	French Franc	11.81
	Spanish Peseta	227.88
Angola	Kwanza	41.8810
Antigua	E. Caribbean $	3.78
Argentina	Austral	1.1205(15)
Australia	Australian $	1.9840
Austria	Schilling	27.13
Azores	Portuguese Escudo	230.98
Bahamas	Ba. Dollar	1.3990
Bahrain	Dinar	0.5287
Balearic Isles	Spanish Peseta	227.88
Bangladesh	Taka	39.00
Barbados	Barbados $	2.8140
Belgium	B Franc	(cm) 78.60
		(fn) 79.4250
Belize	B $	2.80
Benin	C.F.A. Franc	590.50
Bermuda	Bda $	1.3990
Bhutan	Ngultrum	16.50
Bolivia	Bolivian Peso	(o)68,966.0
Botswana	Pula	2.7850
Brazil	Cruzeiro	8,433.5
Brit. Virgin Isles	U.S. $	1.3995
Brunei	Brunei $	3.1000
Bulgaria	Lev	1.4145
Burkina Faso	C.F.A. Franc	590.50
Burma	Kyat	11.4614
Burundi	Burundi Franc	169.95
Cameroon	C.F.A. Franc	590.50
Canada	Canadian $	1.8985
Canary Islands	Spanish Peseta	227.88
Cape Verde Is.	Cape V. Escudo	119.58
Cayman Islands	Cay. I. $	1.1680
Cent. Afr. Republic	C.F.A. Franc	590.50
Chad	C.F.A. Franc	590.50
Chile	Chilean Peso	218.50
China	Renminbi Yuan	4.0630
Colombia	Col. Peso	(F)226.60
Comoro Islands	C.F.A. Franc	590.50
Congo (Brazzaville)	C.F.A. Franc	590.50
Costa Rica	Colon	(U) 71.49
Cuba	Cuban Peso	1.3085
Cyprus	Cyprus £	0.8050
Czechoslovakia	Koruna	(com) 8.50
		(nc) 16.54
		(T) 15.10
Denmark	Danish Kroner	14.1050
Djibouti	Djibouti Franc	240.0
Dominica	E. Caribbean $	3.78
Dominican Repub.	Dominican Peso	(u) 3.990
Ecuador	Sucre	(o) 104.1
		(F) 156.191
Egypt	Egyptian £	[illegible]
El Salvador	Colon	[illegible]
Equatorial Guinea	Ekuele	[illegible]
Ethiopia	Ethiopian Birr	2.8900
Falkland Islands	Falkland £	1.0
Faroe Islands	Danish Kroner	14.1050
Fiji Islands	Fiji $	1.5750
Finland	Markka	8.2466
France	French Franc	11.81
French C'ty in Af.	C.F.A. Franc	590.50
French Guiana	Local Franc	11.81
French Pacific Is.	C.F.P. Franc	905.0
Gabon	C.F.A. Franc	590.50
Gambia	Dalasi	5.00
Germany (East)	Ostmark	3.8675
Germany (West)	Deutsche Mark	3.8675
Ghana	Cedi	76.8140
Gibraltar	Gibraltar £	1.0
Greece	Drachma	183.07

COUNTRY	CURRENCY	VALUE OF £ STERLING
Greenland	Danish Kroner	14.1950
Grenada	E. Caribbean $	3.78
Guadaloupe	Local Franc	11.81
Guam	U.S. $	1.3990
Guatemala	Quetzal	1.0995
Guinea	Syli	33.40
Guinea-Bissau	Peso	206.10
Guyana	Guyanese $	8.8880
Haiti	Gourde	7.00
Honduras	Lempira	2.81
Hong Kong	H.K. $	10.9800
Hungary	Forint	68.9450
Iceland	I. Krona	58.2720
India	Ind. Rupee	16.50
Indonesia	Rupiah	1,571.58
Iran	Rial	123.40(sg)
Iraq	Iraqi Dinar	0.4355
Irish Republic	Irish £	1.2446
Israel	Shekel	2,070.5
Italy	Lira	2,601.0
Ivory Coast	C.F.A. Franc	590.50
Jamaica	Jamaica Dollar	7.99 (sg)
Japan	Yen	331.00
Jordan	Jordanian Dinar	0.5420
Kampuchea	Riel	[illegible]
Kenya	Kenya Shilling	22.82
Kiribati	Australian $	1.9840
Korea (Nth)	Won	1.30
Korea (Sth)	Won	1,237.83
Kuwait	Kuwaiti Dinar	0.4231
Laos	New Kip	48.97
Lebanon	Lebanese £	25.35
Lesotho	Maluti	3.5480
Liberia	Liberian $	1.3990
Libya	Libyan Dinar	0.4140
Liechtenstein	Swiss Franc	3.1650
Luxembourg	Lux Franc	78.35
Macao	Pataca	11.33
Madeira	Portuguese Escudo	230.96
Malagasy Republic	MG Franc	790.50
Malawi	Kwacha	2.4195
Malaysia	Ringgit	3.4400
Maldive Islands	Rufiyaa	9.88
Mali Republic	C.F.A. Franc	590.50
Malta	Maltese Lira	0.6050
Martinique	Local Franc	11.81
Mauritania	Ouguiya	95.96
Mauritius	M Rupee	20.82
Mexico	Mexican Peso	(F)466.03
		(o)357.08
Miquelon	Local Franc	11.81
Monaco	French Franc	11.81
Mongolia	Tugrik	4.00
Montserrat	E. Caribbean $	3.78
Morocco	Dirham	13.79
Mozambique	Metical	(A) 58.77
Namibia	S.A. Rand	3.5495
Nauru	Australian Dollar	1.9840
Nepal	Nepalese Rupee	25.50
Netherlands	Guilder	4.3550
Netherland Antilles	Antillian Guilder	2.52
New Zealand	N.Z. Dollar	2.6710
Nicaragua	Cordoba	(O)39.20
Niger Republic	C.F.A. Franc	590.50
Nigeria	Naira	1.2895
Norway	Norwegian Krone	11.43
Oman Sultanate of	Rial Omani	0.4847
Pakistan	Pakistan Rupee	21.60
Panama	Balboa	1.3995
Papua N. Guinea	Kina	1.3750
Paraguay	Guarani	333.00 (10)
		785.48 (7)
		464.81 (13)

COUNTRY	CURRENCY	VALUE OF £ STERLING
Peru	Sol	exc(A)12,512.5
Philippines	Philippine Peso	24.70
Pitcairn Islands	£ Sterling	—
	New Zealand $	2.6710
Poland	Zloty	214.12
Portugal	Portuguese Escudo	229.96
Puerto Rico	U.S. $	1.3995
Qatar	Qatari Ryal	5.1050
Reunion Island	French Franc	11.81
Romania	Leu	(Cm) 5.80
		(NC) 13.41
Rwanda	Rwanda Franc	103.70
St. Christopher	E. Caribbean $	3.78
St. Helena	St. Helena £	1.0
St. Lucia	E. Caribbean $	3.78
St. Pierre	Local Franc	11.81
St. Vincent	E. Caribbean $	3.78
Samoa American	U.S. $	1.3995
San Marino	Italian Lira	2,601.0
Sao Tome & Principe	Dobra	61.86
Saudi Arabia	Saudi Ryal	5.1200
Senegal	C.F.A. Franc	590.50
Seychelles	S. Rupee	9.50
Sierra Leone	Leone	(O) 7.40
Singapore	Singapore $	3.1000
Solomon Islands	Solomon Is. $	2.1335
Somali Republic	Somali Shilling	81.30
South Africa	Rand	3.5665
Spain	Peseta	227.88
Spanish ports in North Africa	Peseta	227.88
Sri Lanka	S. L. Rupee	38.00
Sudan Republic	Sudan £	(u) 3.50
Surinam	Guilder	2.4990
Swaziland	Lilangeni	3.5495
Sweden	S. Krona	11.5550
Switzerland	Swiss Franc	3.1650
Syria	Syrian £	(A) 7.00
		(Cm) 5.40
Taiwan	New Taiwan $	56.68
Tanzania	Tan. Shilling	23.50
Thailand	Baht	36.80
Togo Republic	C.F.A. Franc	590.50
Tonga Islands	Pa'anga	1.9840
Trinidad	Trinidad & Tob $	3.37
Tunisia	Tunisian Dinar	1.0910
Turkey	Turkish Lira	745.45
Turks & Caicos	U.S. $	1.3995
Tuvalu	Australian $	1.9840
Uganda	Uganda Shilling	812.0
United States	U.S. Dollar	1.3995
Uruguay	Uruguay Peso	148.87
Utd. Arab Emirates	U.A.E. Dirham	5.1505
U.S.S.R.	Rouble	1.1276
Vanuatu	Vatu	145.50
Vatican	Italian Lira	2,601.0
Venezuela	Bolivar	[illegible]
Vietnam	Dong	[illegible]
Virgin Islands U.S.	U.S. Dollar	1.3995
Western Samoa	Samoan Tala	(A) 3.0690
Yemen (Nth)	Ryal	(A) 9.4670
Yemen (Sth)	S. Yemen Dinar	0.4600
Yugoslavia	New Y Dinar	356.7975
Zaire Republic	Zaire	70.0994
Zambia	Kwacha	3.06
Zimbabwe	Zimbabwe $	2.2173

† Rate is the transfer market (controlled). †† Now one official rate. (1) Essential goods. (2) Preferential rate for priority imports such as foodstuffs. (4) Preferential rate for public sector debt and essential imports. (5) Preferential rate. (6) Free rate for luxury imports, remittances of money abroad and foreign travel. (7) Parallel rate. (8) Rate for remittances of foreign currency by Egyptians working abroad and tourists. (9) Banknote rate. (10) Rate for exports. (12) Rate for imports. (13) Essential imports. (14) Nearly all business transactions. (15) Argentina: June 15, new currency introduced: 1 austral=1,000 old pesos.

LONDON SHARE SERVICE

BRITISH FUNDS

"Shorts" (Lives up to Five Years)

1985 High	Low	Stock	Price £	+ or −	Yield Int.	Red.
101	99	Exch. 12½pc 1985	100	−1/32	12.23	10.97
101	99	Exch. 11¼pc '86	100¼xd	.....	11.69	10.66
99½	97	Treas. 10pcCnv 1986	99½	.....	10.05	10.73
95⅝	92¾	Treas 3pc 1986	95	.....	3.14	9.43
100	97½	Exch. 10½pc Cv '86	99	.....	10.52	10.67
101⅞	99¼	Treas 12pc 1986	101	.....	11.88	10.59
98	94½	Treas 8¼pc 1984-86‡‡	98	+	8.65	10.49
105	102	Exch. 14pc 1986	103¾	.....	13.51	10.60
93¾	87¾	Exch. 2½pc 1986	93¾	.....	2.67	7.80
104	101	Exch. 13¼pc 1987	103½	.....	12.80	10.47
99	96½	Treas 10½pcCv '87	99	+	10.29	10.54
92	85½	Exch 2½pc 1987	92xd	+	2.71	7.98
99	96¼	Exch. 10½pc 1987	99	+	10.52	10.59
94	89	Funding 6½pc '85-87‡‡	94	.....	6.90	10.29
99	95½	Treas. 10pc 1987	99	+	10.10	10.58
90	84¼	Treas 3pc 1987	90¼	.....	3.32	8.59
102	99¼	Treas. 12pc 1987	102	+	11.70	10.60
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Five to Fifteen Years

[illegible]

Over Fifteen Years

[illegible]

Undated

[illegible]

Index-Linked

[illegible]

INT. BANK AND O'SEAS GOVT STERLING ISSUES

[illegible]

CORPORATION LOANS

[illegible]

COMMONWEALTH & AFRICAN LOANS

[illegible]

LOANS

Building Societies

[illegible]

Public Board and Ind.

[illegible]

Financial

[illegible]

FOREIGN BONDS & RAILS

[illegible]

AMERICANS

[illegible]

AMERICANS—Cont.

[illegible]

CANADIANS

[illegible]

BANKS, HP & LEASING

[illegible]

Hire Purchase, Leasing, etc.

[illegible]

BEERS, WINES & SPIRITS

[illegible]

BUILDING, TIMBER, ROADS

[illegible]

BUILDING, TIMBER, ROADS—Cont.

[illegible]

CHEMICALS, PLASTICS

[illegible]

DRAPERY AND STORES

[illegible]

DRAPERY & STORES—Cont.

[illegible]

ELECTRICALS

[illegible]

ENGINEERING

[illegible]

ENGINEERING—Continued

1985 High	Low	Stock	Price	+ or −	Div Net	C'vr	Y'ld Gr's	P/E
35	16	Aurora 10p	28	.....	—	—	—	8.8
35	12	Do. Pref Ord.	31	.....	9%	—	4.1	—
110	58½	BM Group 10p	110	+4	†1.1	2.4	1.7	33.4
170	120	Babcock Intl.	138	−4	8.0	1.9	8.3	(7.6)
26¼	15¼	Bailey (C. H.)	15½	.....	—	—	—	—
220	160	Baker Perkins 50p	205	+11	†6.75	2.6	4.7	11.2
121	55	Barro Inds. 20p	120	.....	N5.5	1.9	6.5	14.8
4½	1½	Barbican Hldgs 1p	3	.....	—	—	—	—
92	66	Beazford 10p	76	−2	4.5	2.5	8.5	6.9
150	96	Belgrave Hldgs.	106	.....	4.2	3.5	5.7	7.3
26	15	Bevan (D.F.) 5p	25½	−½	1.25	3.1	7.0	5.6
92½	80	Birmid Qualcast	85	−1	†3.25	1.9	5.5	6.9
245	203	Birmingham Mint	235	.....	11.5	1.8	7.0	10.2
£24¼	£13¼	Black & Decker $0.50	£13¾	−¼	Q64c	—	3.5	—
37	22	Blackwood Hodge	37	+1½	—	—	—	10.5
10½	5	Boulton Wm 10p	7	.....	—	—	—	—
138	114	Braithwaite £1	138	−2	9.1	0.3	11.0	—
61	40	Brasway 10p	60	.....	2.0	♦	4.8	♦
5¼	2½	Bristol Ch.Ship10p	2½	.....	—	—	—	6.0
142	110	Brit. Steam 20p	137	.....	6.25	2.3	6.5	9.6
35	24	Brockhouse Indl 5p	30	+2	1.0	♦	4.8	♦
19	10½	Bronx Eng. 10p	16½	+½	0.5	—	4.5	—
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

FOOD, GROCERIES, ETC

[illegible]

HOTELS AND CATERERS

[illegible]

HOTELS—Continued

1985 High	Low	Stock	Price	+ or −	Div Net	C'vr	Y'ld Gr's	P/E
26½	19	Ryan Hotels 5p	25½	.....	Q18.5%	2.7	3.1	14.7
420	350	Savoy "A" 10p	360	.....	12.0	5.6	0.8	24.0
69	53	Stakis 10p	58	−1	†h1.0	2.8	2.5	17.2
161	119	Trusthouse Forte	134xd	−2	†4.74	1.7	5.0	14.5

INDUSTRIALS (Miscel.)

1985 High	Low	Stock	Price	+ or −	Div Net	C'vr	Y'ld Gr's	P/E
154	119	AAH	142	−1	6.7%	♦	7.0	♦
£12¾	925	AGA AB K25	962	+57	Q7.5%	♦	1.6	♦
255	175	AGB Research 10p	215	.....	6.5	♦	4.4	♦
124	92	AIM 10p	92xd	−2	5.75	♦	8.9	♦
130	65	Aaronite Group	65	.....	2.8	3.1	6.2	7.9
112	70	Aaronson Bros. 10p	98	−5	4.2	1.9	6.2	11.3
63	50	Abbey	62	.....	—	—	—	♦
106	94	Abbeycrest 10p	95	−2	2.5	2.5	3.8	15.1
56	25	Aberfoyle Hldgs. 8p	23	.....	—	—	—	—
166	125	Alexanders W'wear 10p	158	.....	4.5	2.3	4.1	14.9
£20¼	£15¼	Alfa-Laval AB'B'Sk50	£16	+½	Q18%	♦	5.8	♦
143	115	Amari	130	+1	4.8	0.3	5.3	8.8
140	85	Amber Ind. 10p	110	.....	6.0	2.1	7.0	7.9
£17½	£10¼	Amer Group FM20	£10¼	.....	Q15%	1.0	3.6	27.8
116	43	Ang. African Fin 7½p	43	.....	—	—	—	6.7
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

INDUSTRIALS—Continued

[illegible]

INSURANCES

[illegible]

LEISURE

[illegible]

LEISURE—Continued

[illegible]

MOTORS, AIRCRAFT TRADES

Motors and Cycles

[illegible]

Commercial Vehicles

[illegible]

Components

[illegible]

Garages and Distributors

[illegible]

NEWSPAPERS, PUBLISHERS

[illegible]

PAPER, PRINTING, ADVERTISING

[illegible]

PROPERTY

[illegible]

PROPERTY—Continued

[illegible]

SHIPPING

[illegible]

SHOES AND LEATHER

[illegible]

SOUTH AFRICANS

[illegible]

TEXTILES

[illegible]

TOBACCOS

[illegible]

TRUSTS, FINANCE, LAND

Investment Trusts

[illegible]

INVESTMENT TRUSTS—Cont.

[illegible]

Finance, Land, etc

[illegible]

FINANCE, LAND—Cont.

[illegible]

OIL AND GAS

[illegible]

OVERSEAS TRADERS

[illegible]

PLANTATIONS

Rubbers, Palm Oil

[illegible]

Teas

[illegible]

MINES

Central Rand

[illegible]

Eastern Rand

[illegible]

Far West Rand

[illegible]

MINES—Continued

O.F.S.

[illegible]

Diamond and Platinum

[illegible]

Central African

[illegible]

Finance

[illegible]

Australians

[illegible]

Tins

[illegible]

Miscellaneous

[illegible]

NOTES

Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation and unrelieved ACT where applicable; bracketed figures indicate 10 per cent or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution; this compares gross dividend costs to profit after taxation, excluding exceptional profits/losses but including estimated extent of offsettable ACT. Yields are based on middle prices, are gross, adjusted to ACT of 30 per cent and allow for value of declared distribution and rights.

- ● "Tap Stock".
- * Highs and Lows marked thus have been adjusted to allow for rights issues for cash.
- † Interim since increased or resumed.
- ‡ Interim since reduced, passed or deferred.
- ‡‡ Tax-free to non-residents on application.
- ● Figures or report awaited.
- ♥ Not officially UK listed; dealings permitted under Rule 535(4)(a).
- ♦ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- †† Dealt in under Rule 535(3).
- # Price at time of suspension.
- ¶ Indicated dividend after pending scrip and/or rights issue: cover relates to previous dividend or forecast.
- ♦ Merger bid or reorganisation in progress.
- ♣ Not comparable.
- ♠ Same interim: reduced final and/or reduced earnings indicated.
- ♦ Forecast dividend; cover on earnings updated by latest interim statement.
- ‡ Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- ★ Cover does not allow for shares which may also rank for dividend at a future date. No P/E ratio usually provided.
- ‖ No par value.

B.Fr. Belgian Francs. Fr. French Francs. ¶¶ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock. a Tax free. b Figures based on prospectus or other offer estimate. c Cents. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending. q Earnings based on preliminary figures. s Dividend and yield exclude a special payment. t Indicated dividend: cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast dividend: cover based on previous year's earnings. v Subject to local tax. x Dividend cover in excess of 100 times. y Dividend and yield based on merger terms. z Dividend and yield include a special payment: Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. E Minimum tender price. F Dividend and yield based on prospectus or other official estimates for 1984-85. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1984. K Figures based on prospectus or official estimates for 1984. M Dividend and yield based on prospectus or other official estimates for 1985-86. N Dividend and yield based on prospectus or other official estimates for 1985. P Figures based on prospectus or other official estimates for 1983. Q Gross. T Figures assumed. Z Dividend total to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xc ex capital distribution.

REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency.

Albany Inv 20p	96	.....	Arnott	180	.....
Craig & Rose £1	700	.....	CPI Hldgs	61	.....
Finlay Pkg. 5p	60	−1	Carrol Inds.	146	.....
Higsons Brew	295	.....	Dublin Gas	70	.....
Holt (Jos) 25p	730	.....	Hall (R. & H.)	58	.....
IoM Stm. £1	85	.....	Heiton Hldgs.	19	.....
IRISH			Irish Ropes	46	.....
Fund 11¼% 1988	£101¾	.....	Jacob (W. & R.)	82	+2
Nat. 9¾% 84/89	£97½	+¼	Unidare	95xd	.....
Fin. 13% 97/02	£110⅛	.....			

"Recent Issues" and "Rights" Page 26 (International Edition Page 30)

LONDON STOCK EXCHANGE

MARKET REPORT

Leading industrials ease back from firm opening

FT index closes 2.6 down at 972.1

Account Dealing Dates

Option

*First Dealings	Declarations	Last Dealings	Account Day
July 29	Aug 8	Aug 9	Aug 19
Aug 12	Aug 29	Aug 30	Sept 9
Sept 2	Sept 12	Sept 13	Sept 23

* "New-time" dealings may take place from 9.30 am two business days earlier.

Business in London stock markets was evenly balanced at the start of the second week of the extended trading account which encompasses the August bank holiday. Equity market interest contracted noticeably after the previous week's Britoil-inspired flurry, but dealers pinned their hopes of an extension of the recent upturn on the possibility that the authorities may soon move to lower intervention rates. This would clear the way for a further cut in bank base rates and the most optimistic view in the market was for a ½ percentage point reduction at the end of the week or the start of next. Sterling's performance, crucial to any change in domestic interest rates, was reasonably heartening yesterday, with the rate against the dollar closing steady around $1.40, having touched extremes of $1.4125 and $1.3940.

Wall Street's five-point decline on Friday, following bearish money supply and housing starts figures, did little to boost confidence in London, as did forecasts that the revised figure for U.S. GNP for the second quarter could show a downward revision from 1.7 per cent to 1.2 per cent.

Leading blue chips opened a shade firmed but thereafter drifted back on general lack of interest to close with widespread modest falls on balance. The only sector to display any sustained strength was newspapers, where Fleet Holdings jumped 13 to 323 amid talks that the current Monopolies Commission inquiry into the bid from United Newspapers will come down in favour of the latter.

Illustrating the equity market's gradual disaffection with leading industrials the FT Ordinary share index, after posting a marginal rise at 10 o'clock, ran back to close a net 2.6 lower on the day at 972.1.

Business in Gilt-edged was reduced to a trickle; a fraction harder at the outset, most stocks closed with gains in the region of ⅛.

Insurances drift

Composite Insurances drifted easier in thin trading. Commercial Union softened 2 to 227p, while Royals, 668p, Sun Alliance, 513p, and General Accident, 623p, all shed 7. Lloyds brokers were irregular. Hogg Robinson edged up 3 to 270p and USM-quoted Dewey Warren rose 7 to 240p, but Sedgwick slipped 3 to 375p and Willis Faber lost the same amount to 667p.

Conrad Holdings, formerly Russell Brothers Paddington, made a satisfactory market debut; the shares, placed at 70p, opened at 75p and settled at 74p.

Arthur Bell closed 7 lower at 255p after a lively two-way business. Trade was initially stimulated by a welter of weekend Press comment. Suggestions that Rothman International would be enlisted as a "white knight" in a final attempt to ward off the bid from Guinness were quickly refuted by both Bell and Rothmans and the latter, down to 117p earlier, finished a net penny to the good at 120p, while Guinness were unchanged at 271p.

Regional Breweries continued to attract support. Vaux, up 35 last week, rose 7 more to 340p, while Wolverhampton and Dudley added a similar amount at 374p.

The Building sector's recent strong run faltered and the leaders gave modest ground on light profit-taking. Costain slipped a couple of pence to 458p and Taylor Woodrow lost 8 to 457p. Nervous offerings in front of today's half-timer clipped 8 from Alfred McAlpine at 264p, while profit-taking in the wake of the annual results left USM-quoted Access Satellite 25 down at 190p. Troubled housebuilding group Milbury fell 4 to 18p on reports that the company is to face legal action from a private shareholder in an attempt to force a Department of Trade inquiry because of the uncertainty surrounding Milbury's Westminster Property subsidiary. On a brighter note, Vibroplant gained 14 to 160p in reply to the good annual figures and Bett Brothers put on 7 to 63p on speculative interest.

Trading statements were responsible for two noteworthy movements in Chemicals. Hickson International shed 10 to 385p following interim profits much in line with market estimates. Blagden Industries eased a couple of pence to 112p, the good interim figures discounted.

Burton better late

A generally lacklustre session among leading Retailers was featured by Burton which recovered from a dull opening to close 10 higher on balance at 458p following a successful placing. Habitat Mothercare put on 6 to a 1985 high of 432p, while W.H. Smith A hardened 2 to 246p; the latter's annual results are expected tomorrow. Secondary Stores were also subdued. Press comment lifted S.R. Gent 4 to 92p and Ward White a like amount to 326p.

Leading Electricals displayed modest gains for choice. Press comment prompted rises of 5 in Cable and Wireless, 545p, and BICC, 208p, while Racal, annual meeting scheduled for today, hardened a couple of pence to 158p. Press suggestions of a bid from Bunzl lifted Unitech 7 to 257p, after 260p, while "call" option business aided Arlen, 3 up at 78p. International Signal and Control advanced 17 to 257p reflecting bullish notices emanating from a brokers lunch.

Interest in the Engineering sector centred on TI, in which Evered Holdings, the Surrey-based engineering group, has built up a 20.09 per cent stake. Initial disappointment that a full bid was not forthcoming saw TI retreat to 379p before rallying to a closing level of 388p, a net fall of 9. Evered dipped 17 to 243p. Vosper were also actively traded and jumped to 192p on vague bid rumours which were accompanied by talk of Government compensation hopes. Other good performers in the sector included Baker Perkins, up 13 at 205p and Porter Chadburn, a similar amount higher at 145p. TACE and A. Cohen rose 10 apiece to 490p and 480p respectively. Press comment encouraged demand for Arthur Lee which settled 3 higher at 36p. Davy Corporation, on the other hand, encountered profit-taking and ended the day 4 off at 110p.

Secondary issues provided the noteworthy movements in Foods. Persistent talk of a broker's adverse circular continued to depress Avana, down 7 more at 568p, but renewed speculative buying left Cliffords Dairies Ordinary 5 higher at 145p and the A 4 up at 130p.

Seed merchant Charles Sharpe surged to 515p prior to closing a net 105 higher at 500p following news of a possible bid approach. Elsewhere in miscellaneous industrials, recent high-flyer Parkfield shed 12 to 125p on profit-taking and USM-quoted Protimeter fell 7 to 33p for the same reason. Pentland Industries rose 10 to 310p ahead of the interim results due soon, while Siebe gained 25 to 520p following favourable Press comment. Buyers came in for Fergebrook, 7 up at 71p and Metal Sciences, 3 higher at 8p.

Publishers responded to selective support and displayed some noteworthy gains. Fleet improved 13 to 323p awaiting the Monopolies Commission ruling on the intimated offer from United Newspapers, 8 higher at 303p. Associated Newspapers rose 32 to 875p, in a restricted market. Buyers also returned for Associated Book Publishers, 15 dearer at 270p. Elsewhere, Richard Clay fell 7 to 150p, after 148p, following a "sell" recommendation, but McCorquodale, unwelcome bidders for Clay, advanced 7 to 150p.

Recently-firm leading Properties drifted lower on scrappy selling and in the absence of further buying interest. Great Portland Estates slipped to 158p prior to closing a net 4 off at 160p, while losses of around 5 were seen in Hammerson A, 455p, and Haslemere Estates, 498p. Stock Conversion's preliminary statement gave rise to considerable confusion; the shares dipped to 515p on disappointment with the asset valuation of 536p per share, but rallied to the overnight level of 540p on the realisation that the sale of the White City site was worth a further 50p per share. Occasional buying interest was noted for Speyhawk, up 6 at 233p and Laing Properties, the same amount higher at 300p. Renewed demand in a restricted market lifted Tops Estates 10 to 245p.

A couple of firm features emerged among Textiles. Sirdar, scheduled to reveal preliminary figures early next month, advanced 11 to 129p following a "buy" recommendation. Allied Textiles, which recently fought off a bid from London and Midland Industrials, rose 20 to 390p

Saxon lower

Interest in the oil sector remained focused on the Saxon Oil / Charterhouse Petroleum / Enterprise Oil situation. Saxon Oil opened higher around 530p on expectations of a bid in excess of 525p a share from Enterprise Oil, but the lack of news from both companies saw Saxon shares subsequently retreat to end the session at 480p, a net loss of 30. Charterhouse were a fraction easier at 85p; the proposed merger of Charterhouse and Saxon closed last night. Enterprise dipped 2 to 178p.

The oil majors did little more than drift easier on lack of interest. Shell ran back 5 to 667p, as did LASMO, 280p, while BP ended the day a shade lower at 538p. Ultramar benefited from weekend Press suggestions of an imminent bid from Shell and posted a 5 improvement at 205p. In the secondary oils Invent Energy put on ½ to £10½ following a Press report that the company will announce a share split and proposals for a full listing when it announces preliminary results in September. Exploration hopes prompted speculative demand for Sun (UK) Royalty, which jumped 20 to 130p.

Mining markets began the week in good form with sentiment given a major boost by the continued strength of the bullion price and other precious metals. South African issues staged a welcome rally after the recent buffeting that followed acute disappointment with President Botha's negative speech on apartheid reform. Bear covering and bargain hunting was much in evidence throughout the session and this, together with the upturn in bullion, which apparently moved through a significant "chart buy" point, led to good gains across the board in gold shares.

The Gold Mines index, down almost 28 points the previous week, rallied 8.1 to 317.4.

South African Financials drew strength from the firm showing by Golds. De Beers hardened to 347p ahead of the interim results expected today and following news of the pay settlement with black mineworkers at the Namaqualand mine in South Africa. "Amgold" rose ½ to £51¼, Gencor 25 to 800p and Gold Fields of South Africa 13 to 925p, the last named in front of today's preliminary figures.

Platinums provided a firm feature in Rustenburg which jumped 23 to 588p, helped by the latest advance in platinum values. Impala Platinum rose 10 to 600p; the full-year results were not known during market hours.

Australians made good progress in the wake of the firm performance of overnight Sydney and Melbourne markets. Golds attracted strong support on the view that the Government will not introduce a tax on gold mining in the Federal budget. In the leading Golds, Gold Mines of Kalgoorlie moved up 15 to 580p while Pancontinental jumped 10 to a year's high of 110p.

FINANCIAL TIMES STOCK INDICES

	Aug. 19	Aug. 16	Aug. 15	Aug. 14	Aug. 13	Aug. 12	year ago
Government Secs	83.60	83.70	83.70	83.56	83.56	83.71	79.80
Fixed Interest	88.69	88.66	88.64	88.55	88.56	88.56	83.19
Ordinary ♥	972.1	974.7	976.7	966.0	959.6	964.2	833.2
Gold Mines	317.4	309.3	330.3	329.6	343.6	349.1	573.5
Ord. Div. Yield	4.84	4.83	4.82	4.85	4.88	4.86	4.95
Earnings, Yld. %(full)	11.93	11.89	11.86	11.96	12.02	11.96	11.65
P/E Ratio (net) (*)	10.34	10.38	10.40	10.32	10.26	10.32	10.32
Total bargains (Est.)	20,494	23,141	20,811	20,647	22,995	21,359	17,920
Equity turnover £m.	—	349.1	396.16	381.59	347.54	361.24	175.95
Equity bargains	—	19,031	16,036	17,894	26,019	23,618	13,740
Shares traded (ml)	—	164.0	204.5	189.5	180.0	177.2	111.5

♥ 10 am 975.1. 11 am 974.1. Noon 972.7. 1 pm 972.7. 2 pm 972.4. 3 pm 972.4. 4 pm 972.5.

Day's High 975.2. Day's Low 972.1.

Basis 100 Govt. Secs. 15/10/26. Fixed Int. 1928. Ordinary 1/7/35. Gold Mines 12/9/55. SE Activity 1974.

Latest Index 01-246 8026.

* Nil=9.96.

HIGHS AND LOWS

—	1985 High	1985 Low	Since Compilat'n High	Since Compilat'n Low
Govt. Secs.	83.87 (26/7)	76.02 (21/1)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Int.	88.74 (30/7)	82.17 (23/1)	150.4 (28/11/47)	50.53 (3/1/75)
Ordinary	1024.5 (22/1)	911.6 (25/7)	1024.5 (22/1/85)	49.4 (26/6/40)
Gold Mines	536.2 (15/4)	296.1 (6/8)	734.7 (15/2/83)	43.5 (26/10/71)

S.E. ACTIVITY INDICES

	Aug. 16	Aug. 15
Daily		
Gilt Edged Bargains	154.4	129.5
Equities Bargains	123.3	123.3
Equities Value	691.5	800.8
5 day Average		
Gilt Edged Bargains	136.5	136.0
Equities Bargains	128.6	126.8
Equities Value	759.2	748.1

NEW HIGHS AND LOWS FOR 1985

NEW HIGHS (86)

BRITISH FUNDS (8)

Exch 2½pc 1987 · Treas 11¾pc 89 · Exch 10½pc 88 · Treas 9½pc 89 · Treas 8¼pc Cv 88 · Treas 3pc 89 · Treas 9½pc 88 · Treas 10½pc 88

AMERICANS (1)

CityFed Financial

CANADIANS (4)

Barrick Res Corp · Golden Sceptre Res

FT-ACTUARIES SHARE INDICES

These Indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

FIXED INTEREST

YESTERDAY ACTIVE STOCKS

FRIDAY'S ACTIVE STOCKS

Based on bargains recorded in Stock Exchange Official List.

EUROPEAN OPTIONS EXCHANGE

RECENT ISSUES

EQUITIES

FIXED INTEREST STOCKS

RIGHTS OFFERS

Issue price p	Amount paid up	Latest Renunc. date	1985 High	1985 Low	Stock	Closing price p	+ or −
230	Nil	—	45pm	45pm	Oceana Dev. Inv. Tst.	45pm	
120	F.P.	30/8	143	123	Prestwich	143	+1
25	Nil	20/9	80pm	20pm	TACE 10p	65pm	+5
400	F.P.	20/9	520	463	Siebe	520	+20
650	Nil	25/9	50pm	35pm	✻Thermal Scientific	50pm	

Renunciation date usually last day for dealing free of stamp duty. b Figures based on prospectus estimates. g Assumed dividend and yield. u Forecast dividend cover based on previous year's earnings. r Indicated dividend: cover relates to previous dividend, P/E ratio based on latest annual earnings. p Pence unless otherwise indicated. ¶ Issued by tender. ‖ Offered holders of ordinary shares as a "rights." ** Issued by way of capitalisation. §§ Reintroduced. ¶¶ Issued in connection with reorganisation merger or takeover. ‖‖ Allotment letters or fully paid. ‡‡ Introduction. ✻ Unlisted Securities Market. ‡ Placing price. †† Dealt in under Rule 535 (3). ♥ Dealt in under Rule 535 (4) (a).

OPTIONS

First Dealings	Last Dealings	Last Declaration	For Settlement
Aug 19	Sept 6	Nov 21	Dec 2
Sept 9	Sept 20	Dec 5	Dec 16
Sept 23	Oct 4	Dec 19	Dec 30

For rate indications see end of Share Information Service

Money was given for the call of Aberdeen Steak Houses, Premier Oil, Osceola, Kia Ora Gold, Eglinton Oil and Gas, STC, Atlantic Resources, Ultramar, Energy Capital, Arlen Electrical BSG, Bowater, Churchill, Falcon Resources, Brunswick, William Morris, British Car Auction, Sun Oil Royalties, Bristol Oil and Minerals and A. & G. Security Electronics. No puts were reported, but doubles were taken out in Aberdeen Steak Houses and Ultramar.

RISES AND FALLS

	Rises	Falls	Same
British Funds	19	25	63
Corpns, Dom. & Foreign Bonds	13	14	51
Industrials	339	284	866
Financial & Props.	78	114	300
Oils	20	19	85
Plantations	6	1	12
Mines	93	16	70
Others	35	88	114
Totals	603	541	1,521

LONDON TRADED OPTIONS

WORLD STOCK MARKETS

AUSTRIA

Aug. 19	Price Sch%	+ or −
Creditanstalt	366	+10
Goesser	499	+58
Interunfall	1,660	+40
Laenderbank	356	+4
Perlmooser	563	−7
Steyr-Daimler	174	+4
Veitscher Mag	550	−5

BELGIUM/LUXEMBOURG

Aug. 19	Price Frs.	+ or −
B.B.L.	2,010	
Banq. Gen Lux	6,950	
Banq. Int. A. Lux	6,600	
Bekaert B	8,400	
Ciment CBR	2,250	−150
Cockerill	215	+1
Delhaize	7,800	
EBES	2,855	+15
Electrobel	8,480	
Fabrique Nat	1,820	−5
GB Inno BM	5,640	+10
GBL (Brux)	1,890	+8
Gevaert	3,900	−45
Hoboken	8,200	−290
Intercom	2,190	−10
Kredietbank	8,900	
Pan Hldgs.	9,950	−50
Petrofina	5,800	−50
Royale Belge	12,850	[illegible]

DENMARK

[illegible]

FRANCE

[illegible]

GERMANY

[illegible]

ITALY

[illegible]

NETHERLANDS

[illegible]

NORWAY

[illegible]

SPAIN

[illegible]

SWEDEN

[illegible]

SWITZERLAND

[illegible]

AUSTRALIA

[illegible]

AUSTRALIA (continued)

[illegible]

HONG KONG

[illegible]

JAPAN

[illegible]

JAPAN (continued)

[illegible]

SINGAPORE

[illegible]

SOUTH AFRICA

[illegible]

NOTES—Prices on this page are as quoted on the individual exchanges and are last traded prices. § Dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all.

CANADA

TORONTO

Prices at 2.30pm August 19

[illegible]

MONTREAL

Closing prices August 16

[illegible]

Indices

NEW YORK

[illegible]

STANDARD AND POORS

[illegible]

N.Y.S.E. ALL COMMON

[illegible]

New York Active Stocks

[illegible]

TORONTO	Aug 19	Aug 16	Aug 15	Aug 14
Metals & Minls Composite	2,077.7* 2,785.4*	0 2,761.5	[illegible]	2,077.95 2,783.13
MONTREAL Portfolio	135.95*	138.11	138.49	138.03

* Indicates pre-close figure

OVER-THE-COUNTER

Nasdaq national market, 2.30pm prices

Continued from Page 33

[illegible]

LONDON

Chief price changes (in pence unless otherwise indicated)

RISES

Allied Text	390	+ 20
Amstrad	92	+ 10
Bett Bros	63	+ 7
Body Shop Int	755	+ 25
Burton	458	+ 10
Fleet Hldgs	323	+ 13
Hunter	133	+ 15
Int Sig & Cont	277	+ 17
Pancontinental	110	+ 10
Pentland Ind	310	+ 10
SCUSA	93	+ 5
Sharpe (Chas)	500	+105
Siebe	520	+ 25
Sirdar	129	+ 11
Sons of Gwalia	160	+ 14
Sun (UK) Royal	130	+ 20
Utd News	303	+ 8
Vibroplant	160	+ 14

FALLS

Bell (A)	256	− 6
Clay (Richard)	150	− 7
Hickson Intl	385	− 10
Milbury	18	− 4
Parkfield	125	− 12
Saxon Oil	480	− 30

Prices at 3pm, August 19.

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
23⅜	16	AAR	.56	2.7	14	130	21½	20⅞	20⅞	−⅛
17⅝	9¾	AGS			18	34	16	15¾	16	+⅛
16½	9⅝	AMCA				6	12	12	12	−⅛
21½	13	AMF	.25j		96	112	13½	13⅜	13⅜	
50¾	24⅞	AMR			8	3295	48⅛	47½	47⅞	+½
23¼	18⅝	AMR pf2.18		9.5		45	23	22¾	23	−¼
14¼	7⅝	APL				42	10	9⅝	9⅝	−⅜
61⅛	43¼	ASA		24.7		1258	44⅛	d42⅛	42¼	−1
27	12½	AVX	.32	2.3	20	33	13¾	13½	13¾	+¼
28⅝	17⅞	AZP	2.72	11.	7	538	25	24¾	24¾	−¼
60	39¾	AbtLab 1.40		2.5	15	757	55½	55⅛	55¼	+¼
25⅞	20	AccoWd .50		2.2	17	19	22¾	22¾	22¾	−⅛
24¾	12½	AcmeC .40		2.7		47	14⅞	14¾	14¾	−¼
10½	7⅜	AcmeE .32b		4.1	16	26	7⅞	7¾	7¾	−⅛
16	15½	AdaEx 1.92e		11.		18	17¾	17⅝	17⅝	
20	13½	AdmMl .32		1.9	7	7	16¾	16¾	16¾	−⅛
19	8⅝	AdvSys .53f		4.5	16	32	11⅞	11⅜	11⅞	+⅛
41⅛	22⅞	AMD			17	1056	28¾	28⅜	28⅝	+¼
12⅞	6⅞	Advest .12		1.3	21	169	9⅝	8⅞	9⅝	+½
15⅞	9½	Aerflex			13	80	14¼	13⅞	14	−¼
49⅝	32⅝	AetnLf 2.64		5.7	16	759	46⅛	46	46⅛	+⅛
57⅞	52⅜	AetL pf5.78e		10.		196	57⅛	56¾	57½	+⅝
37⅝	18¼	Ahmns 1.20		3.8	8	186	31⅝	31⅝	31⅝	−⅛
3⅝	2½	Aileen				64	3¼	3⅛	3¼	+⅛

Kidder, Peabody International Limited

International Investment Bankers

An affiliate of

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Continued on Page 33

NYSE COMPOSITE PRICES

Continued from Page 32

[illegible]

Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 per cent or more has been paid, the year's high-low range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividends are annual disbursements based on the latest declaration.

a–dividend also extra(s). b–annual rate of dividend plus stock dividend. c–liquidating dividend. cld–called. d–new yearly low. e–dividend declared or paid in preceding 12 months. g–dividend in Canadian funds, subject to 15% non-residence tax. i–dividend declared after split-up or stock dividend. j–dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k–dividend declared or paid this year, an accumulative issue with dividends in arrears. n–new issue in the past 52 weeks. The high-low range begins with the start of trading. nd–next day delivery. P/E–price-earnings ratio. r–dividend declared or paid in preceding 12 months, plus stock dividend. s–stock split. Dividends begins with date of split. sls–sales. t–dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u–new yearly high. v–trading halted. vi–in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd–distributed. wi–when issued. ww–with warrants. x–ex-dividend or ex-rights. xdis–ex-distribution. xw–without warrants. y–ex-dividend and sales in full. yld–yield. z–sales in full.

AMEX COMPOSITE PRICES

Prices at 3pm, August 19

[illegible]

OVER-THE-COUNTER

Nasdaq national market, 2.30pm prices

[illegible]

Continued on Page 31

FINANCIAL TIMES
WORLD STOCK MARKETS

WALL STREET

Midsummer lethargy takes hold

DESPITE cloudy skies over Manhattan yesterday, Wall Street slumbered peacefully through a session of midsummer lethargy, *writes Terry Byland in New York.*

Attendance in the stock market was down, and the big investment institutions showed little interest in either stocks or fixed-interest securities.

At 3pm the Dow Jones industrial average was 1.24 higher at 1,313.96.

The financial markets are expected to trade sluggishly for the next fortnight, which is the vacation season in New York.

Those traders still at their posts waited cautiously for the week's economic data which are a guide to the pace of the U.S. economy. Today brings the Commerce Department's revised estimate of GNP for the second quarter. Wall Street hopes for a slight upward revision of the 1.7 per cent growth previously estimated.

Stocks gained little benefit from renewed firmness in the bond market, which has now recouped the setback that followed Thursday's disclosure of a massive rise in money supply. Wall Street believes that today's meeting of the Federal Reserve Open Market Committee (FOMC) will leave credit policy unchanged, in accordance with its downgrading of money supply as a policy factor.

The reduction in business in the past week was reflected in cuts in broker loan rates by U.S. Trust and Bankers Trust.

Hewlett-Packard, the latest high-technology company to report progress, eased $¼ to $35⅝ after announcing lower earnings for the third quarter.

The rest of the technology sector held steady, with IBM $½ up at $26⅝, Burroughs $¼ up at $62¼ and Honeywell $⅝ higher at $63⅜. AT & T, at 20⅞, rose $⅛.

Aerospace and defence stocks continued to find supporters, with the exception of General Dynamics which eased $⅝ to $78⅝. Boeing, at $47, was unchanged.

Union Carbide at $52⅝ held steady, helped, perhaps, by demonstrations of loyalty by the workforce. Du Pont added $⅛ to $57¼ and Dow Chemical $⅛ to $35¼.

But pharmaceutical issues benefited from brokerage recommendation, as well as from the less confident trend of the dollar. Merck continued to lead the way, adding $⅝ to $115¼.

Pfizer, $⅝ up at $48⅝, also improved, and Upjohn, still buoyed by optimism for the anti-baldness medicine, edged up $⅛ to 111⅛.

K mart, the leading discount retailer, eased $⅛ to $33¼ after confirming a recent boardroom warning that profits had slumped badly. Other retail stocks softened on this fresh evidence of difficult trading in the store business.

Sears dipped $⅛ to $35¼ and J. C. Penney $¼ to $48⅝. But once again, there were buyers for Federated Department Stores, $⅝ higher at $57⅞.

The Detroit auto stocks rallied from their recent weakness, General Motors putting on $⅜ to $66¼ and Ford $⅝ to $43½.

Pan Am continued to trade briskly, with the stock down $⅝ at $7⅝ as the market digested the disclosure that Resorts International, the hotel and gambling concern, has taken a 8.8 per cent stake in the equity.

TWA, awaiting the boardroom decision on the next move in the bid saga involving Texas Air, Mr Carl Icahn, and the group led by the governor of Illinois, held steady at $22⅝. Pan Am said it might buy some TWA assets.

The most active stock on the New York Stock Exchange was, once again, Middle South Utilities, unchanged at $9⅛ as the market showed divided views on the company's financial position.

Consolidated Edison put on $⅛ to $33⅝, while Southern Californian Edison at $24½ was up $⅛.

In the bond market, prices moved on thin business from the trading house, while the retail institutions stayed on the sidelines. After a slow start, the longer end improved, fostered by a round of $1.5bn customer repurchases by the Federal Reserve when federal funds stood at 8 per cent.

Funds later moved lower but Treasury-bill rates remained firm ahead of the traditional auction, as well as the sale of two-year notes at mid-week.

TOKYO

Interest rate optimism spurs upturn

GROWING optimism for lower interest rates led investors to buy giant-capital stocks, sending equities higher in Tokyo yesterday, *writes Shigeo Nishiwaki of Jiji Press.*

Some speculative issues also climbed amid growing concern over high prices.

The Nikkei-Dow market average added 27.74 to 12,640.05, the fifth consecutive daily gain. Volume weakened to 382m shares while advances outnumbered declines 408 to 336, with 147 issues unchanged.

The 225-issue index has now recovered half the ground lost in the technical retreat from its July 8 all-time high of 13,040.

Mitsubishi Heavy Industries firmed Y12 to Y351, topping the most active list with 34.21m shares traded. Nippon Steel, third busiest with 16.99m shares, gained Y5 to Y176.

Speculative constructions soared. Daisue Construction jumped Y75 to Y400 on speculative buying for immediate capital gains. Ando Construction surged Y46 to Y380 and Nissan Construction Y18 to Y365.

Shinwa Kaiun scored a maximum daily gain of Y80 to Y338 on heavy purchasing by speculators. Sanko Steamship, which applied for court protection under corporate rehabilitation law last Tuesday, moved between Y11 and Y13 in a "money game" by speculators and closed Y1 down at Y13.

Japan Air Lines fell Y400 to Y5,800, reflecting anxiety over possible claims arising out of its jumbo jet crash last week.

Blue chips were mixed, while some biotechnology-related stocks advanced. Dainippon Pharmaceutical rose Y100 to Y3,640 and Takeda Chemical Y28 to Y868.

Bond trading was active, bolstered by institutional investor expectations for a reduction in Japan's official discount rate.

The yield on the 6.8 per cent government bond due in December 1994 fell from 6.235 per cent to the lowest level for this year of 6.205 per cent.

SINGAPORE

LATE profit-taking in Singapore sliced early gains off some shares, and most ended mixed, with price changes mainly narrow.

DBS traded heavily to end steady at S$4.96 after 710,000 shares changed hands. In other banks, ICB, which released lower interim results, lost 6 cents to S$4.78, OUB was unchanged at S$2.81 ahead of lower half-year earnings, and OCBC and Malayan Banking were also steady at S$8.05 and S$5.70 respectively.

Elsewhere, Singapore Press added 5 cents to S$5.55 while Keppel Shipyard lost 2 cents to S$1.16 and Sime Darby drifted 1 cent lower to S$1.82.

AUSTRALIA

STRONG DEMAND for golds, which sent the index to a record high, did not flow into other sectors in Sydney, and most issues ended the day easier.

A spurt of late selling followed nervousness ahead of today's federal budget announcement.

Among higher golds, Central Norseman added 26 cents to A$9.86, GMK 55 cents to A$11.65, and Kidston, Poseidon and Sons of Gwalia 20 cents each to A$6.00, A$4.60 and A$3.20 respectively.

CANADA

SLUGGISHNESS continued in Toronto as stocks fell back in trading.

Gold stocks remained the strongest performers, and Dome Mines traded C$¼ higher at C$13½. In other miners, Noranda rose C$⅛ to C$17⅞ while Sherritt Gordon moved C$⅛ lower to C$8⅛.

In oils, Dome Canada added C$⅛ to C$7½, PanCanadian Petroleum shed C$⅛ to C$34¼ and Ranger eased C$⅛ to C$5⅛.

Industrials, utilities and banks all edged lower in Montreal.

EUROPE

Divergent views come to surface

MIXED FEELINGS about the course of interest rates in Europe surfaced on the larger bourses yesterday, fuelling divergent trading while some of the smaller exchanges managed modest progress.

Frankfurt was caught between profit-taking and a measure of disappointment that the Bundesbank did not cut interest rates by more than the ½ percentage point last week. The Commerzbank index reflected the weaker tone, particularly in car and bank stocks, and dropped 14.4 to 1,404.1.

BMW bore the brunt of the weaker car sector with its DM 11 setback to DM 425.50, and VW lost DM 8.50 to DM 310.50. The recent interest-rate cuts firmed stores, with Karstadt DM 4 stronger at DM 245, although banks lost ground, with Deutsche Bank DM 6.50 cheaper at DM 550.

Builder Holzmann, also likely to benefit from cheaper money, added DM 4 to DM 459 despite repeated noises from the board over lower output for the group. Fellow builder Hochtief surged DM 20 ahead to DM 690.

Metals processor Degussa advanced DM 3.30 to DM 365.80, and Thyssen dipped DM 1.70 to DM 119.20 amid reports that Commerzbank had nearly doubled its stake in the steel group. The bank, which strongly denied the reports, lost DM 4.80 to DM 203.

Bond prices inched ahead, and the Bundesbank managed to feed DM 19.2m of paper into the market after Friday's sales of DM 50.9m.

Amsterdam was mixed. Last week's interest rate moves offered a degree of support to prices with ABN's Fl 7 rise to Fl 512 dwarfing the meagre progress made elsewhere. Interest in the bank was rekindled on further consideration of results.

Strong domestic and foreign demand boosted bond prices by up to 60 basis points.

Brussels, refreshed from its holiday break, traded lower in thin volume. Market leader Petrofina retreated BFr 50 to BFr 5,800 while in chemicals Solvay lost BFr 95 to BFr 4,435 after a very weak opening and UCB dipped BFr 125 to BFr 4,985 on reports that the sector is poised for a weak second half.

Metals were particularly mixed given the scarcity of activity. Hoboken suffered a sharp BFr 290 drop to BFr 5,200 while Vieille Montagne picked up BFr 60 to BFr 7,250.

Milan was dominated by position squaring although selective interest surrounded a number of issues.

Montedison firmed L50 to L2,059, and Gemina, which holds a 17.1 per cent interest in the chemicals group, held steady at L1,039. Bi-Invest, which is at the centre of a contested takeover battle by Montedison, lost a further L80 to L5,500 after last week's sustained losses.

Olivetti turned cheaper with a L40 setback to L6,270 although Fiat gained L40 to L4,011.

Pirelli secured a L290 advance to L6,200 on consideration of its merger plans with Caboto, whose shares rose 1.6 per cent to L11,540.

SIP, the public-sector telephone group, put on L176 to L2,650 on reports that a significant stake in the group might be sold to the private sector.

Madrid made a strong start to the week. Chemicals featured, with Española de Petroleos firming 5 percentage points to 131 per cent of nominal value while Aragonesas traded 2.50 points up to 123.50 per cent. Explosivos Rio Tinto picked up half a point to 45.50 per cent.

Telephone monopoly Telefonica eased 0.25 points to 117.50 per cent.

Car makers were hard hit in a slightly weaker Stockholm. Volvo dropped SKr 8 to SKr 235 while Saab-Scania lost SKr 15 to SKr 405.

Sandvik and Astra moved against the trend with SKr 10 gains to SKr 420 and SKr 410 respectively, while Skandia managed to hold a SKr 5 rise to SKr 340. Asea was steady at SKr 295 ahead of a large defence equipment order from Norway.

Zurich finished steady to higher while Paris was mixed.

SOUTH AFRICA

GOLDS and other miners closed higher across the board in Johannesburg as the bullion price rose and the rand weakened further.

The market continued to be cautious, however, ahead of the planned black miners strike on August 25 and amid news that Reserve Bank had cuts its interest rate by 1.75 percentage points in an effort to restore confidence in the wake of sanctions and domestic unrest.

Among leading gold issues, Randfontein added R8 to R200, Vaal Reefs R7.50 to R182, Anglo American Gold R7 to R177 and Driefontein R1 to R47.

Mining financial Anglo American rose 70 cents to R29.70, and Gold Fields added R1 to R32.

Platinum stocks also firmed as international prices for the metal moved higher.

HONG KONG

RECORDS fell in Hong Kong as strong investor sentiment pushed prices markedly higher. The Hang Seng index rose 11.14 to 1,711.51, its best level since August 24 1981 when it closed at 1,717.27.

Property issues gained from the Government's announcement that it planned to resume land auctions in September. Cheung Kong rose 60 cents to HK$19.40, Sun Hung Kai 20 cents to HK$13.90 and Hongkong and Kowloon Wharf 5 cents to HK$7.40.

Utilities also fared well, with China Light adding 20 cents to HK$16.20 and Hongkong Telephone rising 5 cents to HK$9.45.

LONDON

LEADING blue chips opened a shade firmer in London but drifted back on general lack of interest to close with widespread modest falls on balance.

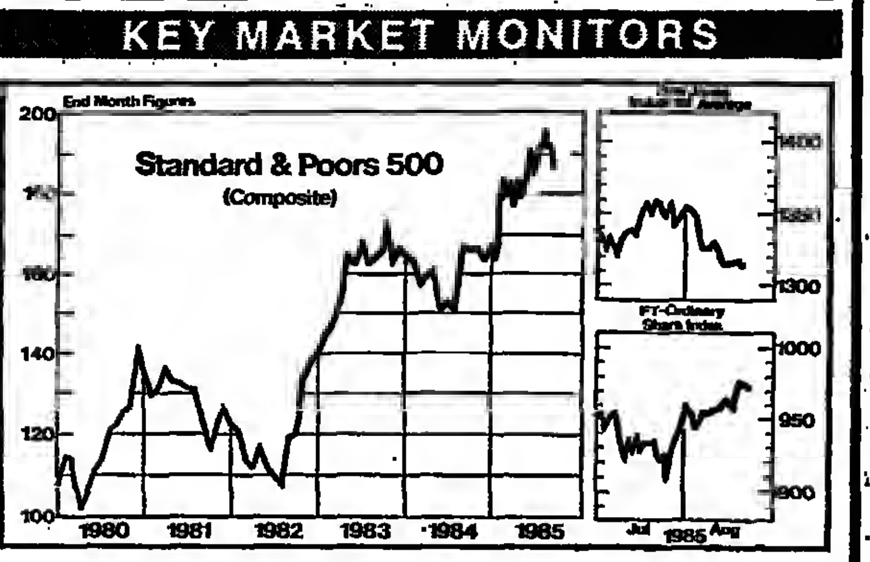
The FT Ordinary share index ended 2.6 lower at 972.1.

The only sector to display any sustained strength was newspapers where Fleet Holdings jumped 13p to 323p.

Business in gilts was reduced to a trickle, and most stocks closed with gains of about ⅛.

Chief price changes, Page 31; Details, Page 30; Share information service, Pages 28–29

KEY MARKET MONITORS



STOCK MARKET INDICES

NEW YORK	Aug 19	Previous	Year ago
DJ Industrials	1,313.96*	1,312.72	1,211.90
DJ Transport	671.23*	666.76	514.71
DJ Utilities	158.03*	157.21	128.69
S&P Composite	186.76*	186.10	164.14
LONDON			
FT Ord	972.1	974.7	833.2
FT-SE 100	1,294.9	1,299.1	1,078.0
FT-A All-share	626.94	628.0	507.36
FT-A 500	684.79	685.75	548.76
FT Gold mines	317.4	309.3	573.8
FT-A Long gilt	10.28	10.27	10.27
TOKYO			
Nikkei-Dow	12,640.05	12,583.08	10,449.5
Tokyo SE	1,016.80	1,011.88	808.86
AUSTRALIA			
All Ord.	954.2	956.2	733.9
Metals & Mins.	549.5	549.7	466.3
AUSTRIA			
Credit Aktien	99.11	98.08	53.33
BELGIUM			
Belgian SE	2,318.2	2,320.44	–
CANADA			
Toronto			
Metals & Minls	2,077.7*	2,073.7	2,015.0
Composite	2,789.4*	2,791.5	2,338.3
Montreal			
Portfolio	135.96*	136.11	115.44
DENMARK			
SE	n/a	215.55	193.27
FRANCE			
CAC Gen	215.9	215.9	162.3
Ind. Tendance	122.9	123.0	86.6
WEST GERMANY			
FAZ-Aktien	476.52	481.14	339.26
Commerzbank	1,404.1	1,418.5	984.2
HONG KONG			
Hang Seng	1,711.51	1,700.37	906.34
ITALY			
Banca Comm.	357.84	352.91	216.82
NETHERLANDS			
ANP-CBS Gen	214.5	214.8	160.9
ANP-CBS Ind	189.7	189.6	128.5
NORWAY			
Oslo SE	350.20	348.14	260.0
SINGAPORE			
Straits Times	758.79	758.29	938.68
SOUTH AFRICA			
JSE Golds	–	945.5	972.9
JSE Industrials	–	928.8	929.8
SPAIN			
Madrid SE	111.93	111.43	97.79
SWEDEN			
J & P	1,317.07	1,326.76	1,502.77
SWITZERLAND			
Swiss Bank Ind	461.5	461.6	382.2
WORLD	Aug 16	Prev	Year ago
Capital Int'l	217.8	218.1	182.0

GOLD (per ounce)

	Aug 19	Prev
London	$338.75	$337.25
Zürich	$339.75	$330.75
Paris (fixing)	$326.72	$335.08
Luxembourg	$338.75	$335.00
New York (Oct)	$341.50	$341.20

* Latest available figure

CURRENCIES

(London)	U.S. DOLLAR Aug 19	Previous	STERLING Aug 19	Previous
$	–	–	1.3995	1.4005
DM	2.763	2.7575	3.8675	3.8575
Yen	236.8	236.75	331.5	331.0
FFr	8.435	8.42	11.81	11.8025
SwFr	2.261	2.2585	3.165	3.155
Guilder	3.111	3.1	4.355	4.3375
Lira	1,852.0	1,845.0	2,591.0	2,581.0
BFr	56.05	55.8	78.35	78.05
C$	1.3555	1.3535	1.8985	1.8945

INTEREST RATES

Euro-currencies (3-month offered rate)	Aug 19	Prev
£	11⅝	11⅝
SwFr	4⅞	4¹⁵⁄₁₆
DM	4⅝	4⅝
FFr	11¼	11⅞
FT London Interbank fixing (offered rate)		
3-month U.S.$	8⅛	8⅟₁₆
6-month U.S.$	8⅟₁₆	8⅛
U.S. Fed Funds	7¹⁵⁄₁₆*	8
U.S. 3-month CDs	7.75*	7.92
U.S. 3-month T-bills	7.12*	7.10

U.S BONDS

Treasury		Aug 19* Price	Yield	Prev Price	Yield
8⅝	1987	100	8.67	100	8.67
10⅝	1992	101¹¹⁄₃₂	10.07	101⁹⁄₃₂	10.12
10⅛	1995	101³⁄₃₂	10.216	101¹⁄₃₂	10.27
10⅝	2015	101⅞	10.508	100²⁹⁄₃₂	10.56

Corporate	Aug 19* Price	Yield	Prev Price	Yield
AT & T				
10⅜ June 1990	100½	10.23	100½	10.23
3⅜ July 1990	83⅛	8.15	83⅝	10.15
8⅜ May 2000	83⅞	11.05	83⅞	11.05
Xerox				
10⅞ March 1993	99⅝	10.80	99⅝	10.80
Diamond Shamrock				
10⅝ May 1993	98⅝	10.85	98⅝	10.85
Federated Dept Stores				
10⅝ May 2013	92.70	11.50	92.70	11.50
Abbot Lab				
11.80 Feb 2013	101.632	11.60	101.632	11.60
Alcoa				
12¼ Dec 2012	100.746	12.15	100.746	12.15

Source: Salomon Bros

FINANCIAL FUTURES

CHICAGO	Latest	High	Low	Prev
U.S. Treasury Bonds (CBT) 8% 32nds of 100%				
Sept	77-06	77-06	76-19	76-24
U.S. Treasury Bills (IMM) $1m points of 100%				
Sept	92.95	92.97	92.90	92.93
Certificates of Deposit (IMM) $1m points of 100%				
Sept	92.28	92.28	92.22	92.24
LONDON				
Three-month Eurodollar $1m points of 100%				
Sept	91.92	91.96	91.89	91.85
20-year Notional Gilt £50,000 32nds of 100%				
Sept	112-13	112-15	112-05	112-12

COMMODITIES

(London)	Aug 19	Prev
Silver (spot fixing)	456.20p	453.05p
Copper (cash)	£1,999.50	£1,020.50
Coffee (Sept)	£1,662.20	£1,656.50
Oil (spot Arabian Light)	$27.40	$27.40